



ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

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ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FOURTH QUARTER ENDED 31 DECEMBER 2019

(The figures have not been audited)

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 31.12.2019 RM	Preceding Year Corresponding Quarter 31.12.2018 RM	Current Year Period 31.12.2019 RM	Preceding Year Corresponding Period 31.12.2018 RM
Revenue	A9	77,921,202	71,584,786	301,657,125	272,860,464
Cost of Sales		(65,256,378)	(64,133,174)	(256,038,265)	(232,949,282)
Gross Profit		12,664,824	7,451,612	45,618,860	39,911,182
Other Income		969,538	6,128,431	2,937,221	10,027,133
		13,634,362	13,580,043	48,556,081	49,938,315
Administrative Expenses		(5,546,372)	(6,256,884)	(21,560,574)	(24,046,787)
Other Expenses		(1,732,758)	(578,447)	(3,576,640)	(2,260,533)
Finance Costs		(1,778,365)	(2,072,534)	(7,080,650)	(7,762,518)
Impairment Losses Of Financial Assets		-	(443,050)	-	(443,050)
Share Of Result Of An Equity Accounted Associate		(33,061)	(30)	(57,788)	(30)
Profit Before Taxation	B12	4,543,806	4,229,098	16,280,429	15,425,397
Income Tax Expense	B5	(1,934,262)	(1,342,998)	(5,455,249)	(4,807,258)
Profit After Taxation/Total Comprehensive income for the Financial Period		2,609,544	2,886,100	10,825,180	10,618,139
Total Comprehensive Income attributable to:					
- Owners of the Company		2,609,544	2,886,100	10,825,180	10,618,139
Earnings per share (sen) attributable to owners of the parent:					
- Basic ⁽²⁾	B11	0.65	0.72	2.69	2.64
- Diluted ⁽²⁾	B11	0.65	0.72	2.68	2.64

Notes:

- (1) The Unaudited Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) Based on the weighted average number of ordinary shares in issue as detailed in Note B11.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at Current Quarter 31.12.2019 RM	(Audited) As at Financial Year Ended 31.12.2018 RM
ASSETS		
Non-current assets		
Investment in an associate	167,182	-
Property, plant and equipment	140,344,831	151,196,756
Investment properties	38,661,603	39,222,108
Other investments	2,994	50,315
Deferred tax assets	160,149	160,149
Finance lease receivables	3,881,196	2,748,578
	183,217,955	193,377,906
Current assets		
Contract assets	98,904,424	79,097,980
Finance lease receivables	1,869,686	890,840
Trade receivables	63,533,959	66,928,323
Other receivables, deposits and prepayments	10,155,441	25,004,362
Amount owing by an associate company	116,426	5,288
Short-term investments	2,029,521	4,194,411
Current tax assets	1,357,655	1,509,428
Deposits with licensed banks	39,629,498	32,637,176
Cash and bank balances	9,165,984	7,708,889
	226,762,594	217,976,697
TOTAL ASSETS	409,980,549	411,354,603

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	(Unaudited) As at Current Quarter 31.12.2019 RM	(Audited) As at Financial Year Ended 31.12.2018 RM
EQUITY AND LIABILITIES		
Equity		
Share capital	86,584,921	85,752,871
Treasury shares	(339,077)	(339,077)
Reserves	1,815,100	1,116,498
Retained profits	103,864,476	95,455,898
TOTAL EQUITY	191,925,420	181,986,190
Non-current liabilities		
Deferred tax liabilities	3,792,025	4,909,076
Long-term borrowings	60,937,066	78,790,418
	64,729,091	83,699,494
Current liabilities		
Contract liabilities	11,196,440	20,679,138
Trade payables	48,096,522	49,147,250
Other payables and accruals	26,257,345	15,921,253
Amount owing to an associate company	205,799	-
Dividend payable	-	4,017,260
Current tax liabilities	-	272,022
Short-term borrowings	65,753,838	51,176,455
Bank overdrafts	1,816,094	4,455,541
	153,326,038	145,668,919
TOTAL LIABILITIES	218,055,129	229,368,413
TOTAL EQUITY AND LIABILITIES	409,980,549	411,354,603
Net asset per share (RM)	0.48	0.45

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes as attached to this interim financial statement.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FOURTH QUARTER ENDED 31 DECEMBER 2019

	Share Capital	Treasury Shares	Non-Distributable Employee Share Option Reserve	Distributable Retained Profits	Total
	RM	RM	RM	RM	RM
The Group (Audited)					
Balance at 1.1.2018	85,752,871	-	-	88,855,019	174,607,890
Profit after taxation/Total comprehensive income for the financial year	-	-	-	10,618,139	10,618,139
Contribution by and distribution to owners of the company:					
- Purchase of treasury shares	-	(339,077)	-	-	(339,077)
- Recognition of share option expenses	-	-	1,116,498	-	1,116,498
- Dividend	-	-	-	(4,017,260)	(4,017,260)
Balance at 31.12.2018	85,752,871	(339,077)	1,116,498	95,455,898	181,986,190
(Unaudited)					
Balance at 1.1.2019	85,752,871	(339,077)	1,116,498	95,455,898	181,986,190
Profit after taxation/Total comprehensive income for the financial year	-	-	-	10,825,180	10,825,180
Contribution by and distribution to owners of the company:					
- Dividend	-	-	-	(2,416,602)	(2,416,602)
- Recognition of share option expenses	-	-	883,502	-	883,502
- Employees' share options exercised	832,050	-	(184,900)	-	647,150
Balance at 31.12.2019	86,584,921	(339,077)	1,815,100	103,864,476	191,925,420

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes as attached to this interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DECEMBER 2019

(The figures have not been audited)

	Cumulative Current Period Ended 31.12.2019 RM	Cumulative Comparative Period Ended 31.12.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,280,429	15,425,397
Adjustments for:-		
Allowance for impairment losses on trade receivables	-	443,050
Depreciation:		
- investment properties	572,005	527,363
- property, plant and equipment	25,954,303	25,042,509
Interest expense	7,080,650	7,762,518
(Profit) / Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	(138,177)	231,417
Share of result of an equity accounted associate	57,788	30
Share option expenses	883,502	1,116,498
Dividend income from short-term investments	(135,110)	(82,601)
Property, plant and equipment written off	273,104	6,003
Loss / (Gain) on disposal of property, plant and equipment	610,229	(5,337,635)
Interest income	(1,489,047)	(1,179,903)
Operating profit before working capital changes	49,949,676	43,954,646
(Increase) / Decrease in contract assets	(19,806,444)	5,008,856
(Decrease) / Increase in contract liabilities	(9,482,698)	11,702,751
Decrease / (Increase) in trade and other receivables	18,278,944	(44,060,704)
(Decrease) / Increase in trade and other payables	(94,709)	311,861
Cash from operations	38,844,769	16,917,410
Interest paid	(7,080,650)	(7,762,518)
Tax refund	2,118,269	866,578
Tax paid	(8,848,077)	(6,654,840)
NET CASH FROM OPERATING ACTIVITIES	25,034,311	3,366,630

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

(The figures have not been audited)

	Cumulative Current Period Ended 31.12.2019 RM	Cumulative Comparative Period Ended 31.12.2018 RM
CASH FLOWS FOR INVESTING ACTIVITIES		
Net cash flow from deconsolidation of subsidiaries under Member's Voluntary Winding Up	185,498	(1,943,359)
Investment in an associate	(224,970)	(30)
Advances to an associated company	(111,138)	(5,288)
Interest received	1,489,047	1,179,903
Dividend income from short-term investments	135,110	82,601
(Increase) in deposits pledged with licensed bank	(6,992,322)	(14,921,885)
Withdrawal of deposits with tenure more than 3 months	-	4,600,000
Purchase of property, plant and equipment	(3,372,347)	(16,022,039)
Purchase of investment properties	(11,500)	(1,514,189)
Proceeds from disposal of property, plant and equipment	2,950,971	13,469,243
Repayment from finance lease receivables	1,093,645	436,982
NET CASH FOR INVESTING ACTIVITIES	(4,858,006)	(14,638,061)
CASH FLOWS FOR FINANCING ACTIVITIES		
Advances from associate company	205,799	-
Proceeds from exercise of employees' share options	647,150	-
Purchase of treasury shares	-	(339,077)
Dividend paid	(6,433,862)	-
Drawdown of term loans	-	13,751,244
Repayment of term loans	(8,436,792)	(5,277,200)
Net (repayment) of hire purchase obligations	-	(24,355,185)
Net drawdown of bankers' acceptances	2,293,349	8,011,000
Net (repayment) / drawdown of invoice financing	(4,407,480)	12,139,018
Net drawdown / (repayment) in revolving credit	6,000,000	(11,000,000)
Net drawdown of bank factoring	9,498,475	1,815,805
Repayment of lease liabilities obligations	(17,611,292)	-
NET CASH FOR FINANCING ACTIVITIES	(18,244,653)	(5,254,395)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENT	1,931,652	(16,525,826)
Cash and cash equivalents at beginning of the financial year	7,447,759	23,973,585
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR	9,379,411	7,447,759

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

(The figures have not been audited)

	Cumulative Current Period Ended 31.12.2019 RM	Cumulative Comparative Period Ended 31.12.2018 RM
Cash and cash equivalent comprised of:		
Deposits with licensed banks	39,629,498	32,637,176
Short-term investments	2,029,521	4,194,411
Cash and bank balances	9,165,984	7,708,889
Bank overdrafts	<u>(1,816,094)</u>	<u>(4,455,541)</u>
	49,008,909	40,084,935
Less: Deposits pledged to licensed banks	<u>(39,629,498)</u>	<u>(32,637,176)</u>
	<u>9,379,411</u>	<u>7,447,759</u>

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes as attached to this interim financial statement.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2019

A1. Basis of Preparation

The interim financial report of the Group are unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting, International Accounting Standard (“IAS”) 34, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) (“Listing Requirements”).

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRS beginning 1 January 2019:

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

Amendments to MFRS 101: Presentation of Financial Statement [Definition of Material]

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements except as follows:-

MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. There is no material financial impact arises from the adoption of this standard.

A2. Changes In Accounting Policies

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the current financial period:-

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2019 (CONT'D)

A2. Changes In Accounting Policies (Cont'd)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
• Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
• Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2018.

A4. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors for the financial period under review.

A5. Unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items for the financial period under review.

A6. Changes in Estimates

There were no material changes in estimates for the financial period under review.

A7. Debt and Equity Securities

Save for the issuance of 1,849,000 ordinary shares under Employees' Share Option Scheme ("ESOS"), there were no other issuance, repurchase and repayment of debts and equity securities by the Group and the Company during the twelve months ended 31 December 2019.

A8. Dividends Paid

On 3 January 2019, a first interim dividend of 1.0 sen per share in respect of financial year ended 31 December 2018 amounting to approximately RM 4.0 million was paid. Further to that, on 30 December 2019, a first interim dividend of 0.6 sen per share in respect of financial year ended 31 December 2019 amounting to approximately RM 2.4 million was paid.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2019 (CONT'D)

A9. Segmental Reporting

The Group's operating and reportable segments comprised of:

- (a) Construction and Support Services under Earthworks and Civil Engineering Sector; and
- (b) Property Investment that deals with the holding of investment properties for capital gain and/or rental income.

The Group	Construction and Support Services	Property Investment	Consolidation Adjustment	Total
	RM	RM	RM	RM
Revenue				
External revenue	301,014,680	642,445	-	301,657,125
Inter-segment revenue	75,756,835	1,600	(75,758,435)	-
Consolidated revenue	<u>376,771,515</u>	<u>644,045</u>		<u>301,657,125</u>
Represented by:-				
<u>Revenue recognised at a point in time</u>				
Sale of goods	22,987,621	-		22,987,621
Hiring of machinery	67,771,343	-	(66,437,072)	1,334,271
Day work revenue	844,607	-		844,607
Rental income	-	644,045	(1,600)	642,445
Cabin living quarters rental	1,372	-	-	1,372
Dividend income from a subsidiary	6,000,000	-	(6,000,000)	-
Management fee	3,305,393	-	(3,305,393)	-
<u>Revenue recognised over time</u>				
Contract revenue	275,861,179	-	(14,370)	275,846,809
	<u>376,771,515</u>	<u>644,045</u>		<u>301,657,125</u>
Results				
Segment results				21,794,710
Interest income				1,489,047
Dividend income from short – term investments				135,110
Finance Cost				(7,080,650)
Share of result of an equity accounted associate				(57,788)
Consolidated profit before taxation				<u>16,280,429</u>
Income tax expense				(5,455,249)
Consolidated profit after taxation				<u>10,825,180</u>

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2019 (CONT'D)

A10. Significant Events after the End of the Interim Financial Period

Advancecon Solar Sdn Bhd, a wholly-owned subsidiary of Advancecon Holdings Berhad, had on 18 February 2020 entered into two (2) separate Memorandum of Understanding (MOU) with Solarvest Energy Sdn Bhd ("Solarvest") and Oon Corp Resources Sdn Bhd ("Oon Corp"). The first MOU with Solarvest is intended to jointly undertake solar renewable energy projects in Malaysia under the Commercial and Industrial category and to appoint Solarvest as an exclusive Engineering, Procurement, Construction and Commissioning contractor. Whereas the second MOU entails the installation of solar photovoltaic system with a capacity of approximately 586 kWp on Oon Corp's premise in Senawang, Negeri Sembilan.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period under review.

A12. Fair Value of Financial Instruments

There were no gains or losses arising from fair value changes for all financial assets and liabilities for the financial period under review.

A13. Capital Commitments

Approved and contracted for:-
Purchase of property, plant and equipment

Unaudited
As at 31.12.2019
RM

6,490,493

A14. Contingent Liabilities

There were no contingent liabilities at the Group level as at the date of this report.

A15. Significant Related Party Transactions

Transaction with Director

Paid and payable:-
Rental of premise

Unaudited
12 Months Ended
31.12.2019
RM

70,000

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

	3 Months Individual Period			12 Months Cumulative Period		
	31.12.2019 RM	31.12.2018 RM	Variance %	31.12.2019 RM	31.12.2018 RM	Variance %
Revenue	77,921,202	71,584,786	8.8%	301,657,125	272,860,464	10.5%
Profit Before Taxation	4,543,806	4,229,098	7.4%	16,280,429	15,425,397	5.5%
Profit After Taxation	2,609,544	2,886,100	-9.5%	10,825,180	10,618,139	1.9%

For the current quarter under review, the Group recorded 8.8% increase in revenue as compared to preceding year corresponding quarter. The increase was mainly attributable to higher progress billings from its on-going construction projects and support services. Overall, construction and support services contributed almost 100% of the Group's revenue for both the current quarter and preceding year corresponding quarter, at RM 77.76 million and RM 71.44 million respectively. The balance of revenue was derived from property investment. The Group achieved a better profit before taxation ("PBT) of RM 4.54 million or 7.33% higher for the current quarter versus preceding year preceding quarter despite a significant reduction in other income.

Construction and Support Services

During the current quarter under review, the PBT and PBT margin achieved by this division was RM 4.75 million and 6.10% as compared to RM 1.28 million and 1.80% during the preceding year corresponding quarter.

The increase in PBT and PBT margin during the current quarter was mainly due to:

1. Recognition of profit for a total of five (5) completed projects as compared to one (1) completed project during the preceding year corresponding quarter;
2. Reduced subcontractors' fee as a result of the said completed projects; and
3. Lower weighted average diesel cost per litre of RM 2.10 versus RM 2.30 during the preceding year corresponding period.

In terms of profit after taxation ("PAT") and PAT margin, the division achieved RM 2.82 million and 3.62% versus RM 0.50 million and 0.70% during the preceding year corresponding quarter. The improvement in PAT was in line with higher PBT stated above.

Property Investment

For the current quarter under review, this division recorded a loss before taxation of RM 0.16 million as compared to a profit before taxation of RM 2.94 million in the preceding year corresponding quarter. The profit made in the preceding year corresponding period was attributable to the recognition of gain from the disposal of a leasehold industrial land held under HS(M) 42054, PT 65651, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B2. Comparison with Immediate Preceding Quarter Results

	3 Months Individual Period		
	31.12.2019	30.9.2019	Variance
	RM	RM	%
Revenue	77,921,202	71,136,240	9.5%
Profit Before Taxation	4,543,806	3,774,934	20.3%
Profit After Taxation	2,609,544	2,735,173	-4.6%

During the current quarter under review, the increase in the Group's revenue was mainly due to higher progress billings from its on-going projects. The slightly lower PAT was a result of higher tax provision during the current quarter to make up for under provision of tax in the immediate preceding quarter.

B3. Prospects

The Group is optimistic of achieving positive financial results during the next financial year due to:

1. The Group's current outstanding order book of approximately RM 742 million or 2.7 times of financial year 2018 audited revenue will provide earnings visibility for a minimum of 18 months;
2. The Group expects good progress of its 2 major contracts moving forward, namely West Coast Expressway ("WCE") Section 7A and WCE Section 1, because of sizable sites handover happened recently. As at the date of this report, for WCE Section 7A, out of 19.5 km of total length, 98.7% was handed over versus 23.9% as at end of 31 December 2018. Whereas for WCE Section 1, out of 11.3 km of total length, 84.9% was given as compared to 54.3% as at end of 31 December 2018;
3. In East Malaysia, Sarawak in particular, as recent as October 2019 the Group had secured a total of approximately RM 88 million worth of infrastructure projects from the State Government;
4. Nonetheless, the Group remains cautious and will selectively bid for future projects as competition is increasingly intense; and
5. The present COVID-19 virus situation in Malaysia is unlikely to cause any adverse impact to the Group's existing operations.

B4. Profit Forecast

The Group did not issue any profit forecast or profit guarantee for the financial period under review.

B5. Taxation

	Unaudited	Audited
	12 Months Ended	
	31.12.2019	31.12.2018
	RM	RM
Income tax	6,572,300	6,682,415
Deferred tax	(1,117,051)	(1,875,157)
	<u>5,455,249</u>	<u>4,807,258</u>
Effective tax rate ⁽¹⁾	33%	31%

Notes:

- (1) The Group's effective tax rate for the current year was higher as compared to preceding year corresponding period mainly due to loss incurred by the property investment segment as opposed to significant profit recorded in 2018.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B6. Status of Corporate Proposals

There was no corporate proposal during the current quarter under review.

B7. Utilisation of Proceeds Raised from Public Issue

On 29 August 2018, the Company announced its intention to vary the utilisation of proceeds raised from the IPO exercise in conjunction with the listing of and the quotation of its entire share capital on the Main Market of Bursa Malaysia Securities on 10 July 2017. The Company has raised gross proceeds which is amounting to RM56.70 million from its IPO ("IPO Proceeds").

The details of the variations of the IPO Proceeds are as set out below:

No	Details of utilisation	Allocation of IPO Proceeds upon listing ⁽¹⁾	Allocation of IPO Proceeds upon listing (revised)	Actual utilisation of IPO Proceeds	Unutilised IPO Proceeds	Estimated timeframe for utilisation (upon listing)
		RM'000	RM'000	RM'000	RM'000	
i.	Total Capital expenditures:-	29,700	27,050	(12,960)	14,090	Within 36 months
	(a) Purchase of new construction machinery and equipment	15,100	12,960	(12,960)	-	Within 24 months
	(b) Construction of new workshop	14,600	14,090 ⁽²⁾	-	14,090	Within 36 months
ii.	Repayment of bank borrowings	12,500	12,455 ⁽²⁾	(12,455)	-	Within 6 months
iii.	Working capital	10,700	13,395	(13,395)	-	Within 24 months
iv.	Estimated listing expenses	3,800	3,800	(3,800)	-	Upon Listing
		<u>56,700</u>	<u>56,700</u>	<u>(42,610)</u>	<u>14,090</u>	

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B7. Utilisation of Proceeds Raised from Public Issue (Cont'd)

Notes:

- (1) As per IPO Prospectus dated 19 June 2017.
- (2) On 29 August 2018, the Board announced to re-allocate the utilisation of construction of new workshop and repayment of bank borrowings to day-to-day working capital expenses for payment to suppliers.

B8. Group Borrowings and Debt Securities

	Unaudited	Audited
	As at 31.12.2019	As at 31.12.2018
	RM	RM
<u>Non-current</u>		
Term Loans	25,493,244	32,842,850
Hire Purchase Payables	-	45,947,568
Lease liabilities	35,443,822	-
<u>Current</u>		
Term Loans	1,119,713	2,206,899
Hire Purchase Payables	-	15,950,403
Lease liabilities	18,230,628	-
Bankers' Acceptances	14,340,349	12,047,000
Invoice Financing	11,748,868	16,156,348
Revolving Credit	9,000,000	3,000,000
Bank Overdrafts	1,816,094	4,455,541
Bank factoring	11,314,280	1,815,805
	128,506,998	134,422,414

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B9. Material Litigation

There is no pending material litigation involving the Group pending as at the date of this report, except for the following.

Advancecon Infra Sdn. Bhd. ("Advancecon Infra"), a wholly-owned subsidiary of Advancecon Holdings Berhad in the High Court of Malaya ("the Court") at Shah Alam Civil Suit No. BA-22C-50-11/2018 vs Infra Tech Projects Malaysia Sdn Bhd ("Infra Tech" or "the Defendant")

Advancecon Infra, through its solicitors, Messrs Arthur Wang, Lian & Associates had on 9 November 2018 filed and served a sealed copy of the Writ of Summons together with the Statement of Claim, both dated 2 November 2018 against Infra Tech Projects Malaysia Sdn Bhd (Company No. 654784-A) ("Infra Tech" or "the Defendant").

The filing of the Writ of Summons together with the Statement of Claim arose from Advancecon Infra claim for damage and losses suffered due to Infra Tech's engagement as a sub-contractor by Advancecon Infra under 3 Letters of Award dated 20 January 2017 and 7 February 2017 ("Letters of Award") respectively for the Project known as "Phase 1 Earthwork for Cadangan Serah Balik and Bermilik Semula Dibawah Sekysen 204D Kanun Tanah Negara Untuk Pembangunan Bercampur Perumahan Dan Perniagaan, Di Atas PT8 (H.S.(D) 22218), PT 9 (H.S.(D) 22219) Dan PT20090 (H.S.(D) 244038), Mukim Bukit Raja, Daerah Petaling, Seksyen U12, Shah Alam, Selangor Darul Ehsan ("BS49 Project") which was awarded to Infra Tech.

Due to the alleged breach of the Letters of Award by the Defendant, Advancecon Infra is claiming for the following:-

- (a) A declaration that the Defendant has breached the terms and conditions of all the 3 Letters of Award under the BS49 Project; Award under the BS49 Project;
- (b) A declaration that Advancecon Infra was allowed to make deductions and set off from payments to the Defendant under all the 3 Letters of Award under the BS49 Project;
- (c) A declaration that Advancecon Infra has the right to deduct/set off the total sum amounting to RM1,417,174.75 for the 3 Payment Certificates No. 5, 6 and 7 that are payable to the Defendant by Advancecon Infra;
- (d) The sum of RM1,052,157.69 being the total outstanding balance remedial costs incurred due to the slope failures at HIEDYC and PVD Group Improvement at Show Village Area ("KTA2 Area") and CDYC, PVD and Geogrid Ground Improvement at Phase 1&2 Slope Area ("KTA1 Area");
- (e) Interests on the sum of RM1,052,157.69 at the rate of 5% per annum from the date of this judgement until the date of full and final settlement;
- (f) Solicitors' cost; and
- (g) Such further or other relief as deemed fit by the Court.

The first case management was fixed on 12 December 2018.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B9. Material Litigation (Cont'd)

Advancecon Infra had received the Defence and Counterclaim from the Defendant dated 11 December 2018 and had filed and serve the Reply to Defence and Defence to Counterclaim dated 11 January 2019.

Advancecon Infra had received the sealed Amended Defence and Counterclaim dated 4 February 2019 from the Defendant on 13 February 2019.

Advancecon Infra had filed and served the unsealed Amended Defence and Counterclaim dated 27 February 2019 to the Defendant on 27 February 2019.

The Company announced that further to the case management held on 7 March 2019, the Court directed as follows:-

- (a) The Defendant to file and serve Reply to Amended Defence to Amended Counterclaim on 13 March 2019; and
- (b) Advancecon Infra and Defendant (collectively referred as “the Parties”) to file Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, Issues to be Tried, Summary of Case and List of Witnesses before the next date, 29 April 2019.

The Court has fixed next case management on 29 April 2019.

Advancecon Infra had on 13 March 2019 received the Defendant’s Reply to Amended Defence to Counterclaim dated 13 March 2019.

Advancecon Infra had received the sealed Notice of Application by the Defendant for application to re-amend Amended Defence and Counterclaim dated 4 February 2019 filed on 10 April 2019. The next date for Case Management is on 29 April 2019.

The Company announced pursuant to the Case Management held on 29 April 2019, the Court has directed as follows:-

- (a) The Defendant to file and serve the Affidavit in Reply in respect of the Defendant’s Amendment Application (“Enclosure 20”) on or before 13 May 2019; and
- (b) The Advancecon Infra and Defendant to file and serve their respective submissions in respect of Enclosure 20 on or before 27 May 2019.

The next date for Case Management is on 28 May 2019.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B9. Material Litigation (Cont'd)

Advancecon Infra announced that on 27 May 2019, the Plaintiff has been served with a copy of the Corrective Affidavit affirmed on 27 May 2019 by the Defendant.

Pursuant to the Case Management held on 28 May 2019, the Court had directed the Plaintiff and the Defendant to file their written submissions in reply and to exchange and handover a copy to the Court at the next Case Management on 3 June 2019.

In addition, the Hearing of the Defendant's Re-amendment Application/Enclosure 20 has been fixed on 11 June 2019.

Advancecon Infra announced that during the case management held on 3 June 2019, the Plaintiff has filed the submission in reply, exchanged the same with the Defendant's solicitors, and handed a copy of the relevant cause papers to the Court.

The Hearing of the Defendant's Re-amendment Application/Enclosure 20 has been maintained on 11 June 2019.

Pursuant to the Hearing of the Defendant's Re-amendment Application under Enclosure 20 on 11 June 2019, the Company wishes to announce that the High Court allowed the Defendant's Re-amendment Application with costs of RM500.00 payable by the Defendant to the Plaintiff.

The High Court further directed as follows:-

- (a) The Defendant to file and serve the sealed amended defence and counterclaim on or before 25 June 2019;
- (b) The Plaintiff to file and serve the amended reply to amended defence and counterclaim on or before 9 July 2019;
- (c) Both the Plaintiff and the Defendant to file and comply with the pre-trial directions on or before the next Case Management fixed on 19 July 2019; and
- (d) The next Case Management fixed on 19 July 2019.

In compliance with the Judge's direction at the Case Management held on 11 June 2019, the Company wishes to announce that the Plaintiff had on 25 June 2019 received the following documents from the Defendant's solicitors:-

- (a) Sealed Defendant's Re-Amended Defence and Amended Counterclaim;
- (b) Report by Ir. Krishnan Raman, B. Tech, MS, ICE, PE, MASCE of R&A Geotechnics Sdn Bhd dated 24 May 2019; and
- (c) Report by W.L. Addington of TechSol Sdn Bhd dated 21 May 2018.

Pursuant to the Case Management held on 19 July 2019, the Court had directed both the Plaintiff and Defendant to file and comply with the pre-trial directions, i.e. the Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, Agreed Issues and List of Witnesses on or before the next Case Management on 2 August 2019.

Pursuant to the Case Management held on 2 August 2019, Advancecon Infra and Infra Tech have reached an amicable settlement for the above matter. The Parties are to bear their respective costs.

B10 Dividends Declared

There was no dividend declared for the current financial period under review.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B11. Earnings Per Share

	Unaudited 12 Months Ended	
	31.12.2019	31.12.2018
Profit after tax attributable to the owners of the Company (RM)	10,825,180	10,618,139
Basic earnings per share		
Weighted average number of ordinary shares	401,691,655	401,921,400
Basic earnings per share (sen) ⁽¹⁾	2.69	2.64
Diluted earnings per share		
Weighted average number of ordinary shares	403,754,828	401,986,878
Diluted earnings per share (sen) ⁽²⁾	2.68	2.64

Notes:

- (1) The basic earnings per share was computed based on profit attributable to owners of the Company divided by the weighted average number of ordinary shares.
- (2) The dilutive portion of the ordinary shares deemed issued pursuant to the ESOS are accounted for in the diluted earnings per share calculation. The ESOS will have a dilutive effect only when the average target price of ordinary shares of the Company during the period exceeds the exercise price of options granted.

B12. Notes to the Statement of Comprehensive Income

Profit before taxation was arrived at after charging/(crediting):-

	Unaudited	
	Individual Quarter 31.12.2019	Cumulative Quarter 31.12.2019
	RM	RM
Auditors' remuneration	79,000	172,000
Depreciation:		
- property, plant and equipment	6,862,313	25,954,303
- investment properties	143,025	572,005
Directors' remuneration	2,280,127	4,778,930
Interest expenses	1,778,365	7,080,650
Property, plant and equipment written off	186,140	273,104
Share of result of an equity accounted associate	33,061	57,788
Staff costs	10,826,599	48,501,648
Profit on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	(284,721)	(138,177)
Loss on disposal of property, plant and equipment	637,208	610,229
Interest income	(474,587)	(1,489,047)
Dividend income from short -term investments	(17,069)	(135,110)

BY ORDER OF THE BOARD

27 FEB 2020