



ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021

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ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR SECOND QUARTER ENDED 30 JUNE 2021

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Period	Preceding Year Corresponding Period
		30.6.2021 RM	30.6.2020 RM	30.6.2021 RM	30.6.2020 RM
Revenue	A9	60,085,820	38,111,400	125,162,338	104,430,391
Cost of Sales		(57,041,932)	(39,400,410)	(115,631,265)	(96,256,307)
Gross Profit / (Loss)		3,043,888	(1,289,010)	9,531,073	8,174,084
Other Income		658,581	1,481,175	1,587,450	2,156,425
		3,702,469	192,165	11,118,523	10,330,509
Administrative Expenses		(4,374,206)	(3,313,413)	(7,930,521)	(7,678,100)
Other Expenses		(653,248)	(683,478)	(1,325,683)	(1,469,893)
Finance Costs		(1,389,274)	(1,495,568)	(2,958,110)	(3,224,856)
Share of Result Of An Equity Accounted Associate		-	(28,412)	-	(75,092)
Loss Before Taxation	B12	(2,714,259)	(5,328,706)	(1,095,791)	(2,117,432)
Income Tax Expense	B5	(486,078)	345,640	(1,410,401)	(1,199,736)
Deferred Tax	B5	698,579	(1,873,038)	1,085,409	(1,355,270)
Loss After Taxation / Total Comprehensive Loss for the Financial Period		(2,501,758)	(6,856,104)	(1,420,783)	(4,672,438)
Total Comprehensive Loss attributable to:					
- Owners of the Company		(2,501,758)	(6,856,104)	(1,420,783)	(4,672,438)
Earnings per share (sen) attributable to owners of the parent:					
- Basic	(2) B11	(0.62)	(1.71)	(0.35)	(1.17)
- Diluted	(2) B11	(0.62)	(1.71)	(0.35)	(1.16)

(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 2020 and the accompanying explanatory notes as attached to the interim financial statements.)

**ADVANCECON HOLDINGS BERHAD**

(Registration no. 199701011469 (426965-M))

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	(Unaudited) As at Current Quarter 30.6.2021 RM	(Audited) As at Financial Year Ended 31.12.2020 RM
ASSETS		
Non-current assets		
Property, plant and equipment	119,433,238	120,741,965
Investment properties	40,263,203	43,483,039
Other investments	2,943	2,994
Deferred tax assets	160,149	160,149
Finance lease receivables	2,696,481	1,790,560
	<hr/>	<hr/>
	162,556,014	166,178,707
Current assets		
Contract assets	97,541,982	106,056,723
Finance lease receivables	670,232	2,114,930
Trade receivables	43,245,424	66,673,120
Other receivables, deposits and prepayments	25,273,005	9,379,213
Amount owing by an associate company	1,201,727	941,218
Short-term investments	1,786,842	1,390,666
Current tax assets	3,140,409	2,844,701
Deposits with licensed banks	56,040,477	50,053,145
Cash and bank balances	11,319,526	2,232,770
	<hr/>	<hr/>
	240,219,624	241,686,486
	<hr/>	<hr/>
TOTAL ASSETS	402,775,638	407,865,193

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

	(Unaudited) As at Current Quarter 30.6.2021 RM	(Audited) As at Financial Year Ended 31.12.2020 RM
EQUITY AND LIABILITIES		
Equity		
Share capital	91,933,171	87,101,071
Treasury shares	(3,249,343)	(3,249,343)
Reserves	-	1,700,400
Retained profits	101,214,401	102,008,584
TOTAL EQUITY	189,898,229	187,560,712
Non-current liabilities		
Deferred tax liabilities	3,360,971	4,446,380
Long-term borrowings	23,786,782	24,693,873
Lease liabilities	23,461,160	32,213,598
	50,608,913	61,353,851
Current liabilities		
Contract liabilities	20,257,600	16,670,776
Trade payables	52,568,130	54,427,963
Other payables and accruals	22,348,311	11,260,510
Amount owing to an associate company	268,652	98,942
Amount owing to a director	-	192,290
Current tax liabilities	73,430	56,586
Short-term borrowings	45,387,408	51,467,468
Lease liabilities	19,563,022	20,897,158
Bank overdrafts	1,801,943	3,878,937
	162,268,496	158,950,630
TOTAL LIABILITIES	212,877,409	220,304,481
TOTAL EQUITY AND LIABILITIES	402,775,638	407,865,193
Net asset per share (RM)	0.46	0.46

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes as attached to the interim financial statement.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SECOND QUARTER ENDED 30 JUNE 2021

	Share Capital	Treasury Shares	Non-Distributable Employee Share Option Reserve	Distributable Retained Profits	Total
	RM	RM	RM	RM	RM
The Group (Audited)					
Balance at 1.1.2020	86,584,921	(339,077)	1,815,100	103,864,476	191,925,420
Profit after taxation / Total comprehensive income for the financial year	-	-	-	2,101,045	2,101,045
Contribution by and distribution to owners of the Company:					
- Dividend	-	-	-	(3,956,937)	(3,956,937)
- Purchase of treasury shares	-	(2,910,266)	-	-	(2,910,266)
- Employees' share options exercised	516,150	-	(114,700)	-	401,450
Balance at 31.12.2020 (Unaudited)	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712
Balance at 1.1.2021	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712
Loss after taxation / Total comprehensive loss for the financial period	-	-	-	(1,420,783)	(1,420,783)
Contribution by and distribution to owners of the Company:					
- Employees' share options exercised	4,832,100	-	(1,073,800)	-	3,758,300
- Employees' share options lapsed	-	-	(626,600)	626,600	-
Balance at 30.6.2021	91,933,171	(3,249,343)	-	101,214,401	189,898,229

(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 2020 and the accompanying explanatory notes as attached to the interim financial statements.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR SECOND QUARTER ENDED 30 JUNE 2021

	Cumulative Current Period Ended 30.6.2021 RM	Cumulative Comparative Period Ended 30.6.2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,095,791)	(2,117,432)
Adjustments for:		
Depreciation:		
- property, plant and equipment	12,890,408	12,883,099
- investment properties	279,132	286,746
Interest expense on lease liabilities	1,305,065	1,348,283
Interest expense	1,653,045	1,876,573
Gain on dissolution of subsidiaries	(2,077)	-
Share of result of an equity accounted associate	-	75,092
Property, plant and equipment written off	34	22,749
Gain on disposal of property, plant and equipment	(487,729)	(147,092)
Gain on disposal of investment properties	(96,176)	-
Dividend income from short-term investments	(16,794)	(39,348)
Interest income	(656,903)	(892,211)
Operating profit before working capital changes	13,772,214	13,296,459
Decrease in contract assets	8,514,741	1,334,587
Increase / (Decrease) in contract liabilities	3,586,824	(3,957,560)
Decrease in trade and other receivables	5,314,057	36,186,838
Increase / (Decrease) in trade and other payables	4,492,847	(15,502,297)
Increase in amount owing by an associate company	(248,824)	(424,305)
Cash from operations	35,431,859	30,933,722
Interest paid	(2,958,110)	(3,224,856)
Income tax paid	(1,689,265)	(3,003,734)
NET CASH FROM OPERATING ACTIVITIES	30,784,484	24,705,132

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR SECOND QUARTER ENDED 30 JUNE 2021 (CONT'D)

	Cumulative Current Period Ended 30.6.2021 RM	Cumulative Comparative Period Ended 30.6.2020 RM
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	656,903	892,211
Dividend income from short-term investments	16,794	39,348
Increase in deposits pledged with licensed bank	(5,987,332)	(6,800,728)
Purchase of property, plant and equipment	(8,375,370)	(1,043,593)
Addition of investment properties	-	(8,380)
Proceeds from dissolution of subsidiaries	2,128	-
Proceeds from disposal of property, plant and equipment	2,117,385	770,601
Proceeds from disposal of investment properties	5,739,847	-
Repayment from finance lease receivables	538,777	904,988
(Advance to) / Repayment from an associate company	(11,685)	114,502
NET CASH FOR INVESTING ACTIVITIES	(5,302,553)	(5,131,051)
CASH FLOWS FOR FINANCING ACTIVITIES		
Advances from / (Repayment to) an associate company	169,710	(99,762)
Proceeds from exercise of employees' share options	3,758,300	137,900
Purchase of treasury shares	-	(699,445)
Repayment of term loans	(622,683)	(357,585)
Net repayment of bankers' acceptances	(5,939,277)	(4,812,904)
Net drawdown / (repayment) of invoice financing	6,167,784	(565,102)
Net drawdown of revolving credit	-	4,500,000
Net repayment of bank factoring	(6,592,975)	(11,314,280)
Repayment of lease liabilities	(10,670,574)	(8,849,960)
Repayment to a director	(192,290)	-
NET CASH FOR FINANCING ACTIVITIES	(13,922,005)	(22,061,138)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	11,559,926	(2,487,057)
Cash and cash equivalents at beginning of the financial year	(255,501)	9,379,411
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL PERIOD	11,304,425	6,892,354

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR SECOND QUARTER ENDED 30 JUNE 2021 (CONT'D)**

	Cumulative Current Period Ended 30.6.2021 RM	Cumulative Comparative Period Ended 30.6.2020 RM
Cash and cash equivalent comprised of:		
Deposits with licensed banks	56,040,477	46,430,226
Short-term investments	1,786,842	1,768,869
Cash and bank balances	11,319,526	6,716,017
Bank overdrafts	<u>(1,801,943)</u>	<u>(1,592,532)</u>
	67,344,902	53,322,580
Less: Deposits pledged to licensed banks	<u>(56,040,477)</u>	<u>(46,430,226)</u>
	<u>11,304,425</u>	<u>6,892,354</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes as attached to the interim financial statement.)

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021

A1. Basis of Preparation

The interim financial report of the Advancecon Holdings Berhad and its subsidiaries (“Group”) is 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 2020, except for the adoption of the following Amendments to MFRS beginning 1 January 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

The adoption of the above accounting standard(s) (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements.

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:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Year
• MFRS 17 Insurance Contracts & Amendments to MFRS 17 Insurance Contracts	2023
• Amendments to MFRS 3: Reference to the Conceptual Framework	2022
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	2023
• Amendments to MFRS 101: Disclosure of Accounting Policies	2023
• Amendments to MFRS 108: Definition of Accounting Estimates	2023
• Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	2022
• Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	2022
• Annual Improvements to MFRS Standards 2018 – 2020	2022

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.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND ENDED 30 JUNE 2021 (CONT'D)

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2020.

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

There were no issuance, repurchase and repayment of debts and equity securities by the Group and the Company during the current quarter.

A8. Dividends Paid

As at the date of this report, there was no payment of dividend during the financial year ending 31 December 2021.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (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;
- (b) Property Investment that deals with the holding of investment properties for capital gain and/or rental income; and
- (c) Green Energy - involved in the development and/or operation of power generation from renewable energy, solar and other renewable energy projects.

The Group	Construction and Support Services RM	Property Investment RM	Green Energy RM	Consolidation Adjustment RM	Total RM
Revenue					
External revenue	123,472,102	297,844	1,392,392	-	125,162,338
Inter-segment revenue	29,493,921	3,000	-	(29,496,921)	-
Consolidated revenue	<u>152,966,023</u>	<u>300,844</u>	<u>1,392,392</u>		<u>125,162,338</u>
Represented by:					
<u>Revenue recognised at a point in time</u>					
Sale of goods	2,201,729	-	-	-	2,201,729
Hiring of machinery	29,004,837	-	-	(28,263,921)	740,916
Day work revenue	831,755	-	-	-	831,755
Cabin Living Quarters Rental	17,955	-	-	-	17,955
<u>Revenue recognised over time</u>					
Contract revenue	119,679,747	-	-	-	119,679,747
Rental income from investment properties	-	300,844	-	(3,000)	297,844
Revenue-Green Energy	-	-	1,392,392	-	1,392,392
<u>Revenue from other sources</u>					
Management fee	1,230,000	-	-	(1,230,000)	-
	<u>152,966,023</u>	<u>300,844</u>	<u>1,392,392</u>		<u>125,162,338</u>
Results					
Segment results					1,188,622
Interest income					656,903
Dividend income from short-term investments					16,794
Finance Cost					(2,958,110)
Consolidated loss before taxation					(1,095,791)
Income tax expense					(1,410,401)
Deferred Tax					1,085,409
Consolidated loss after taxation					(1,420,783)

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (CONT'D)

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

LSS TPG Sdn. Bhd. ("LSS TPG"), an indirect wholly-owned subsidiary of Advancecon Holdings Berhad ("Advancecon") had on 18 August 2021, entered into a 21-year power purchase agreement with Tenaga National Berhad under Large Scale Solar ("LSS4") project of 26 MW at Kuala Langat, Selangor.

A11. Changes in the Composition of the Group

On 3 June 2021, the Company had incorporated an indirect wholly-owned subsidiary known as LSS TPG, with an issued share capital of RM100.00 comprising 100 ordinary shares to undertake the LSS4 project.

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

	Unaudited As at 30.6.2021 RM
Approved and contracted for:	
Purchase of property, plant and equipment	4,192,054
Purchase of investment properties	258,030
	<u>4,450,084</u>

A14. Contingent Liabilities

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

A15. Significant Related Party Transactions

	Unaudited 6 Months Ended 30.6.2021 RM
Transaction with Director	
Paid and payable:	
Rental of premise	<u>37,800</u>

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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			6 Months Cumulative Period		
	30.6.2021 RM	30.6.2020 RM	Variance %	30.6.2021 RM	30.6.2020 RM	Variance %
Revenue	60,085,820	38,111,400	57.7%	125,162,338	104,430,391	19.9%
Loss Before Taxation	(2,714,259)	(5,328,706)	49.1%	(1,095,791)	(2,117,432)	48.2%
Loss After Taxation	(2,501,758)	(6,856,104)	63.5%	(1,420,783)	(4,672,438)	69.6%
Earnings Before Interest, Taxes, Depreciation and Amortisation	5,288,502	2,727,031	93.9%	15,031,859	14,277,269	5.3%

For the current quarter under review, the Group recorded a 57.7% 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.

Construction and support services segment contributed about 98.6% of the Group's revenue, and Green Energy segment contributed about 1.1% of the Group's revenue, at RM 123.5 million and RM 1.4 million respectively. As compared to the preceding year corresponding quarter, construction and support services segment contributed almost 100% of the Group's revenue, at RM 104.1 million, and in the absence of revenue from Green Energy segment. The balance of revenue was derived from property investment segment.

Construction and Support Services Segment

During the current quarter under review, the division recorded LBT of RM 2.5 million versus RM 5.1 million LBT during the preceding year corresponding quarter.

The LBT recorded during the preceding year's corresponding quarter was higher due to First Movement Control Order which lasted from 18 March 2020 till 9 June 2020 whereby we had almost 2.5 months of inactivity. This is in comparison to current quarter under review whereby we had only 1 month of low productivity as a handful of our project sites were allowed to operate by MITI at 60% capacity during the Third Movement Control Order, which started in May 2021. However, progress for the critical projects given approval to operate were disrupted by supply chain issues.

In terms of loss after taxation ("LAT"), this division recorded a lower LAT of RM 2.3 million versus RM 6.6 million for the preceding year corresponding quarter. The decrease in LAT was in line with lower LBT stated above. However, the division's Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") was RM 5.3 million as compared to RM2.6 million in the preceding year corresponding quarter. This was achieved through improved efficiency in the Group's operations.

Green Energy Segment

During the current quarter under review, the division recorded a profit before taxation of RM 0.1 million versus RM 0.01 million loss before taxation during the preceding year corresponding quarter. The improvement in profit was contributed from the construction revenue for Solar Projects during the quarter.

Property Investment Segment

For the current quarter under review, this division recorded marginal improvement with a lower LBT of RM 0.18 million versus RM 0.20 million in the preceding year corresponding quarter. The management is actively looking to monetise the investment properties as soon as possible.

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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		
	30.6.2021 RM	31.3.2021 RM	Variance %
Revenue	60,085,820	65,076,518	-7.7%
(Loss)/Profit Before Taxation	(2,714,259)	1,618,468	-267.7%
(Loss)/Profit After Taxation	(2,501,758)	1,080,975	-331.4%

In the current quarter under review, the Group recorded LBT and LAT mainly due to:

1. Lower revenue generated as critical projects approved by MITI were only allowed to operate at 60% capacity;
2. Increase in budgeted construction cost due to the following:
 - Additional operational costs due to extension of time for Pan Borneo Highway (Sarawak);
 - Increase in construction material prices such as steel bars by 50% and diesel cost by 25% for West Coast Expressway Section 1 and West Coast Expressway Section 7A; and
3. Legal costs and expenses of RM 730,000 to secure for new financing facilities.

B3. Prospects

Since the imposition of Third Movement Control Order in June 2021, construction operations have faced disruption in the supply chain and restrictions in the operational sites.

The Group expects construction sector will improve in line with the National Covid-19 Immunisation Programme along with the National Recovery Plan ("NRP"). , 75.4% of our staff have been fully vaccinated. The Government announced on 15 August 2021 that the construction industry under Phase 1 of the NRP can begin operations based on certain percentage of fully vaccinated staff. Based on our current rate of vaccination, we are allowed to operate at full capacity.

Moving forward, the Group will focus on:

- 1 Coordinated efforts to fulfill the remaining order book of RM 748.5 million within the contract periods;
- 2 Selectively bid for projects to replenish its order book; and
- 3 Continue monitoring costs and expenses to improve operational efficiency.

The Group will continue to focus on its Green Energy Segment, particularly in execution of its LSS4 project. Completion of the LSS4 project is expected to contribute positively to the Group's profit in the end of 2023.

On 17 June 2021, Advancecon has entered into a conditional share sale agreement ("SSA") with Fook Hua Holdings Sdn. Bhd. ("FHHSB") to acquire the 51.0% of equity interest in Spring Energy Resources Berhad ("SERB"). The Group views the long-term prospects of the expansion in to quarry operation positively.

Based on the above, barring any unforeseen circumstances, the Group is confident of achieving positive results in financial year 2021.

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

B4. Profit Forecast

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

B5. Taxation

	Unaudited 6 Months Ended	
	30.6.2021	30.6.2020
	RM	RM
Income tax	1,410,401	1,199,736
Deferred tax	(1,085,409)	1,355,270
	<u>324,992</u>	<u>2,555,006</u>

The Group's effective tax rate ("ETR") for the financial period is higher than statutory tax rate of 24% mainly due to certain expenses not deductible and losses of certain companies cannot be used to offset against profit of other subsidiary companies in the Group. However, higher ETR was partly mitigated by the deferred tax movement.

B6. Status of Corporate Proposals

On 17 June 2021, Advancecon made an announcement on Bursa Malaysia Securities Berhad that the Company had entered into a conditional SSA with FHHSB in relation to the proposed acquisition of 51.0% equity interest in SERB for a total purchase consideration of RM30,400,000.00 ("Proposed Acquisition").

The purchase consideration is to be satisfied via a combination of cash payment of RM15,220,000.00 and the remaining purchase consideration of RM15,180,000.00 to be satisfied via an issuance and allotment of 33,000,000 new ordinary shares of Advancecon ("Consideration Share") at the issue price of RM0.46 per Consideration Share.

The Proposed Acquisition is conditional upon all conditions precedent stated in the conditional SSA being satisfied within 3 months from the date of this conditional SSA with an automatic extension of a further 1 month if the conditions precedent have not been satisfied by the expiry of the aforesaid initial 3 months period unless further extended by mutual agreement between both parties.

Advancecon had also entered into a shareholders' agreement with FHHSB and SERB to regulate the relationship of the shareholders and govern the management and operations of SERB between the shareholders of SERB upon completion of the Proposed Acquisition.

In conjunction with the Proposed Acquisition, Advancecon proposes to undertake a diversification of the existing principal activities of the Group to include quarry operation and other related activities at an extraordinary general meeting to be convened.

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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

The details 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	(13,872)	13,178	Within 54 ⁽³⁾ 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⁾	(912)	13,178	Within 54 ⁽³⁾ 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>(43,522)</u>	<u>13,178</u>	

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.
- (3) On 26 August 2020, the Board announced to extend the estimated of timeframe for construction of new workshop from within 36 months to within 54 months from date of IPO.

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

B8. Group Borrowings and Debt Securities

	Unaudited As at 30.6.2021 RM	Audited As at 31.12.2020 RM
<u>Non-current</u>		
Term loans	23,786,782	24,693,873
Lease liabilities	23,461,160	32,213,598
<u>Current</u>		
Term loans	1,509,555	1,225,147
Lease liabilities	19,563,022	20,897,158
Bankers' acceptances	13,968,654	19,907,931
Invoice financing	16,409,199	10,241,415
Revolving credit	13,500,000	13,500,000
Bank overdrafts	1,801,943	3,878,937
Bank factoring	-	6,592,975
	114,000,315	133,151,034

B9. Material Litigation

As at the date of this report, the Group was not engaged in any material litigation.

B10. Dividends Declared

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

B11. Earnings Per Share

	Unaudited 6 Months Ended	
	30.6.2021	30.6.2020
Loss after tax attributable to the owners of the Company (RM)	(1,420,783)	(4,672,438)
<i>Basic earnings per share</i>		
Weighted average number of ordinary shares	404,436,423	400,838,108
Basic loss per share (sen) ⁽¹⁾	(0.35)	(1.17)
<i>Diluted earnings per share</i>		
Weighted average number of ordinary shares	404,638,908	401,166,768
Diluted loss per share (sen) ⁽²⁾	(0.35)	(1.16)

Notes:

- (1) The basic loss per share was computed based on loss 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 employees' share options ("ESOS") are accounted for in the diluted loss 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.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B12. Loss Before Taxation**

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

	Unaudited	
	Individual	Cumulative
	Quarter	Quarter
	30.6.2021	30.6.2021
	RM	RM
Auditors' remuneration	46,750	88,500
Depreciation:		
- property, plant and equipment	6,482,351	12,890,408
- investment properties	131,136	279,132
Directors' remuneration	929,366	1,842,021
Interest expenses	1,389,274	2,958,110
Property, plant and equipment written off	-	34
Staff costs	11,156,510	20,869,812
Gain on disposal of property, plant and equipment	(59,571)	(487,729)
Gain on disposal of investment properties	-	(96,176)
Interest income	(326,336)	(656,903)
Dividend income from short-term investments	(14,367)	(16,794)

**BY ORDER OF THE BOARD
21 SEPT 2021**