



ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2021

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Period	Preceding Year Corresponding Period
		31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Revenue	A9	75,991,049	73,068,492	270,802,450	250,335,667
Cost of Sales		(73,694,526)	(62,508,300)	(251,903,701)	(222,399,679)
Gross Profit		2,296,523	10,560,192	18,898,749	27,935,988
Other Income		5,881,680	1,138,207	8,515,106	4,188,425
		8,178,203	11,698,399	27,413,855	32,124,413
Administrative Expenses		(4,030,350)	(4,400,640)	(15,501,542)	(16,238,032)
Other Expenses		(734,851)	(478,221)	(2,603,444)	(2,690,494)
Finance Costs		(1,530,320)	(1,603,651)	(5,897,321)	(6,382,440)
Share of Result Of An Equity Accounted Associate		194,982	(44,182)	733,731	(167,182)
Profit Before Taxation	B12	2,077,664	5,171,705	4,145,279	6,646,265
Income Tax Expense	B5	(279,955)	(1,418,371)	(2,783,300)	(3,890,865)
Deferred Tax	B5	(176,090)	(111,766)	687,978	(654,355)
Profit After Taxation / Total Comprehensive Income for the Financial Period/Year		1,621,619	3,641,568	2,049,957	2,101,045
Total Comprehensive Income attributable to:					
- Owners of the Company		1,621,619	3,641,568	2,049,957	2,101,045
Earnings per share (sen) attributable to owners of the parent:					
- Basic	B11	0.39	0.91	0.50	0.53
- Diluted	B11	0.39	0.91	0.50	0.53

(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 31 DEC 2021

	(Unaudited) As at Current Quarter 31.12.2021 RM	(Audited) As at Financial Year Ended 31.12.2020 RM
ASSETS		
Non-current assets		
Investment in an associate	564,981	-
Property, plant and equipment	108,461,221	120,741,965
Investment properties	38,618,591	43,483,039
Other investments	-	2,994
Deferred tax assets	160,149	160,149
Finance lease receivables	2,326,035	1,790,560
	<hr/>	<hr/>
	150,130,977	166,178,707
Current assets		
Contract assets	104,091,186	106,056,723
Finance lease receivables	717,340	2,114,930
Trade receivables	41,916,280	66,673,120
Other receivables, deposits and prepayments	54,127,761	9,379,213
Amount owing by an associate	2,086,597	941,218
Short-term investments	2,845,915	1,390,666
Current tax assets	3,455,520	2,844,701
Deposits with licensed banks	59,979,480	50,053,145
Cash and bank balances	22,681,441	2,232,770
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	291,901,520	241,686,486
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TOTAL ASSETS	442,032,497	407,865,193

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DEC 2021 (CONT'D)

	(Unaudited) As at Current Quarter 31.12.2021 RM	(Audited) As at Financial Year Ended 31.12.2020 RM
EQUITY AND LIABILITIES		
Equity		
Share capital	114,139,592	87,101,071
Treasury shares	(3,249,343)	(3,249,343)
Reserves	-	1,700,400
Retained profits	104,685,141	102,008,584
TOTAL EQUITY	215,575,390	187,560,712
Non-current liabilities		
Deferred tax liabilities	3,758,402	4,446,380
Long-term borrowings	48,039,001	24,693,873
Lease liabilities	20,838,905	32,213,598
	72,636,308	61,353,851
Current liabilities		
Contract liabilities	22,389,595	16,670,776
Trade payables	59,824,317	54,427,963
Other payables and accruals	14,095,907	11,260,510
Amount owing to an associate	269,338	98,942
Amount owing to a director	-	192,290
Current tax liabilities	-	56,586
Short-term borrowings	39,948,700	51,467,468
Lease liabilities	17,292,942	20,897,158
Bank overdrafts	-	3,878,937
	153,820,799	158,950,630
TOTAL LIABILITIES	226,457,107	220,304,481
TOTAL EQUITY AND LIABILITIES	442,032,497	407,865,193
Net asset per share (RM)	0.44	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 FOURTH QUARTER ENDED 31 DECEMBER 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	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712
(Unaudited)					
Balance at 1.1.2021	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712
Profit after taxation / Total comprehensive income for the financial year	-	-	-	2,049,957	2,049,957
Contribution by and distribution to owners of the Company:					
- Issuance of new ordinary shares	22,248,410	-	-	-	22,248,410
- Share issue expenses	(41,989)	-	-	-	(41,989)
- Employees' share options exercised	4,832,100	-	(1,073,800)	-	3,758,300
- Employees' share options lapsed	-	-	(626,600)	626,600	-
Balance at 31.12.2021	114,139,592	(3,249,343)	-	104,685,141	215,575,390

(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 FOURTH QUARTER ENDED 31 DECEMBER 2021

	Cumulative Current Period Ended 31.12.2021 RM	Cumulative Comparative Period Ended 31.12.2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,145,279	6,646,265
Adjustments for:		
Depreciation:		
- property, plant and equipment	25,699,563	25,657,710
- investment properties	539,341	575,833
Early adoption: COVID-19-related rent concessions	-	(1,000)
Interest expense on lease liabilities	2,251,739	2,680,120
Interest expense	3,645,582	3,702,320
Loss/(Gain) on dissolution of subsidiaries	866	(115,340)
Share of (net profit)/net loss of an equity accounted associate	(733,731)	167,182
Property, plant and equipment written off	957	248,232
Gain on disposal of property, plant and equipment	(877,210)	(397,808)
Gain on disposal of investment properties	(354,673)	-
Dividend income from short-term investments	(75,867)	(61,146)
Interest income	(1,319,678)	(1,660,080)
Operating profit before working capital changes	32,922,168	37,442,288
Decrease/(Increase) in contract assets	1,965,537	(7,152,298)
Increase in contract liabilities	5,718,819	5,474,336
Increase in trade and other receivables	(8,276,708)	(2,362,933)
Increase/(Decrease) in trade and other payables	2,926,631	(882,797)
Increase in amount owing by an associate	(1,153,103)	(932,177)
Cash from operations	34,103,344	31,586,419
Interest paid	(5,897,321)	(6,382,440)
Income tax paid	(3,281,955)	(5,321,325)
NET CASH FROM OPERATING ACTIVITIES	24,924,068	19,882,654

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

	Cumulative Current Period Ended 31.12.2021 RM	Cumulative Comparative Period Ended 31.12.2020 RM
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	1,319,678	1,660,080
Dividend income from short-term investments	75,867	61,146
Increase in deposits pledged with licensed bank	(9,926,335)	(10,423,647)
Purchase of property, plant and equipment	(3,670,466)	(2,308,461)
Addition of investment properties	(7,100)	(8,380)
Proceeds from dissolution of a subsidiary	2,128	115,340
Proceeds from disposal of property, plant and equipment	2,614,300	1,054,600
Proceeds from disposal of investment properties	3,685,000	-
Repayment from finance lease receivables	862,115	1,987,187
Repayment from an associate	7,724	107,385
NET CASH FOR INVESTING ACTIVITIES	(5,037,089)	(7,754,750)
CASH FLOWS FROM/(FOR) FOR FINANCING ACTIVITIES		
Dividend paid	-	(3,956,937)
Proceeds from private placement	12,018,410	-
Share issue expenses	(41,989)	-
Advances from/(Repayment to) an associate	170,396	(106,857)
Proceeds from exercise of employees' share options	3,758,300	401,450
Purchase of treasury shares	-	(2,910,266)
Net drawdown/(repayment) of term loans	31,425,752	(693,938)
Net drawdown of bankers' acceptances	713,357	5,567,582
Net repayment of invoice financing	(3,219,774)	(1,507,453)
Net (repayment)/drawdown of revolving credit	(10,500,000)	4,500,000
Net repayment of bank factoring	(6,592,975)	(4,721,305)
Repayment of lease liabilities	(21,643,309)	(18,335,092)
Repayment to a director	(192,290)	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES	5,895,878	(21,762,816)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	25,782,857	(9,634,912)
Cash and cash equivalents at beginning of the financial year	(255,501)	9,379,411
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR	25,527,356	(255,501)



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR FOURTH QUARTER ENDED 31 DECEMBER 2021 (CONT'D)**

	Cumulative Current Period Ended 31.12.2021 RM	Cumulative Comparative Period Ended 31.12.2020 RM
Cash and cash equivalent comprised of:		
Deposits with licensed banks	59,979,480	50,053,145
Short-term investments	2,845,915	1,390,666
Cash and bank balances	22,681,441	2,232,770
Bank overdrafts	-	(3,878,937)
	<u>85,506,836</u>	<u>49,797,644</u>
Less: Deposits pledged to licensed banks	(59,979,480)	(50,053,145)
	<u>25,527,356</u>	<u>(255,501)</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 FOURTH QUARTER ENDED 31 DEC 2021

A1. Basis of Preparation

The interim financial report of the Advancecon Holdings Berhad (“Advancecon” or “Company”) 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
- Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

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 year:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Year
• Amendments to MFRS 3: Reference to the Conceptual Framework	2022
• Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before	2022
• Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	2022
• Annual Improvements to MFRS Standards 2018 – 2020	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
• MFRS 17 Insurance Contracts & Amendments to MFRS 17 Insurance Contracts	2023
• Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023

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 FOURTH QUARTER ENDED 31 DEC 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 year under review.

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

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

A6. Changes in Estimates

There were no material changes in estimates for the financial year 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 except for:-

1. Issuance of 33,000,000 new ordinary shares on 13 December 2021 at RM0.46 per share pursuant to the acquisition of 51.0% of Spring Energy Resources Berhad ("SERB"); and
2. Issuance of 43,943,000 new ordinary shares on 29 December 2021 at RM0.2735 per share, being the (1) one tranche of placement shares issued pursuant to a Private Placement exercise.

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 FOURTH QUARTER ENDED 31 DEC 2021 (CONT'D)

A9 Segmental Reporting

The Group's operating and reportable segments comprised of:

- (a) Construction and Support Services – involved in earthworks and civil engineering services;
- (b) Property Investment – involved in sales of investment properties for capital gain and rental of investment properties; 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	Property Investment	Green Energy	Consolidation Adjustment	Total
	RM	RM	RM	RM	RM
Revenue					
External revenue	267,994,241	607,083	2,201,126	-	270,802,450
Inter-segment revenue	65,875,374	12,000	-	(65,887,374)	-
Consolidated revenue	<u>333,869,615</u>	<u>619,083</u>	<u>2,201,126</u>		<u>270,802,450</u>
Represented by:					
<u>Revenue recognised at a point in time</u>					
Sale of goods	5,315,043	-	-	-	5,315,043
Hiring of machinery	65,360,391	-	-	(61,325,420)	4,034,971
Day work revenue	1,772,341	-	-	-	1,772,341
Cabin Living Quarters Rental	44,317	-	-	-	44,317
<u>Revenue recognised over time</u>					
Contract revenue	256,746,707	-	-	80,862	256,827,569
Rental income from investment properties	-	619,083	-	(12,000)	607,083
Revenue-Green Energy	-	-	2,201,126	-	2,201,126
<u>Revenue from other sources</u>					
Management fee	4,630,816	-	-	(4,630,816)	-
	<u>333,869,615</u>	<u>619,083</u>	<u>2,201,126</u>		<u>270,802,450</u>
Results					
Segment results					7,913,324
Interest income					1,319,678
Dividend income from short-term investments					75,867
Finance Cost					(5,897,321)
Share of result of an equity accounted associate					733,731
Consolidated profit before taxation					<u>4,145,279</u>
Income tax expense					(2,783,300)
Deferred Tax					687,978
Consolidated profit after taxation					<u>2,049,957</u>

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2021 (CONT'D)

A10. Significant Events after the End of the Financial Year

1. Advancecon Sarawak Sdn Bhd (“Adv Sarawak”), a company in which Advancecon Holdings Berhad has a 30% equity interest had on 3 January 2022 accepted the Letter of Acceptance from Yayasan Sarawak for the appointment of Adv Sarawak as the contractor for the Proposed Development on Lot 501 Salak Land District, Kuching, Sarawak (Site Clearing & Earthworks) for the total contract sum of RM32,380,463.00. The overall contract period shall be 12 months from the date of possession of site.
2. On 3 January 2022, Fook Hua Holdings Sdn Bhd (“FHHSB”) transferred 51.0% of its interest in SERB, representing 260,100,006 ordinary shares, to Advancecon Holdings Berhad. On 5 January 2022, the Company appointed its representative directors into the board of SERB. SERB then considered as a subsidiary of the Company in accordance with MFRS 10 – Consolidated Financial Statement as Company has power over the voting right, title and interest over SERB to direct the activities that significantly affect SERB’s returns and rights to receive variable returns from result of SERB’s performance paid out by way of dividends with respect to the shares with effect from 5 January 2022.

A11. Changes in the Composition of the Group

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

A13. Capital Commitments

	Unaudited As at 31.12.2021 RM
Approved and contracted for:-	
Purchase of property, plant and equipment	2,993,876
Purchase of investment properties	258,030
	<hr/> <u>3,251,906</u>

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2021 (CONT'D)

A14. Contingent Liabilities

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	Unaudited As at 31.12.2021 RM
Corporate guarantee extended by the Company to an associate and third party	<u>8,393,080</u>

A15. Significant Related Party Transactions

	Unaudited 12 Months Ended 31.12.2021 RM
Transaction with Director	
Paid and payable:-	
Rental of premise	<u>75,600</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			12 Months Cumulative Period		
	31.12.2021 RM	31.12.2020 RM	Variance %	31.12.2021 RM	31.12.2020 RM	Variance %
Revenue	75,991,049	73,068,492	3.9%	270,802,450	250,335,667	8.1%
Profit Before Taxation	2,077,664	5,171,705	-59.8%	4,145,279	6,646,265	-37.6%
Profit After Taxation	1,621,619	3,641,568	-55.4%	2,049,957	2,101,045	-2.4%

For the current quarter under review, the Group recorded a 3.9% 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 98.9% of the Group's revenue, and Green Energy Segment contributed about 0.9% of the Group's revenue, at RM 75.2 million and RM 0.7 million respectively. The balance of revenue was derived from Property Investment Segment. As compared to the preceding year corresponding quarter, Construction and Support Services Segment contributed about 97.3% of the Group's revenue, and Green Energy Segment contributed about 2.6% of the Group's revenue, at RM 71.1 million and RM 1.9 million respectively.

Construction and Support Services Segment

During the current quarter under review, the profit before taxation ("PBT") and PBT margin achieved by this division was RM 1.9 million and 2.6% as compared to RM 5.1 million and 7.2% during the preceding year corresponding quarter.

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

1. Additional operational costs due to extension of time for Pan Borneo Highway (Sarawak);
2. Increase in material prices such as steel bars by 50.0% and diesel cost by 25.0% for West Coast Expressway Section 1; and
3. Loss on Alamsari project.

Nevertheless, the impact from the above was partly mitigated by share of profit from an associate company and proceeds from insurance claims in addition to reduction in administrative expenses and finance costs.

In terms of profit after taxation ("PAT"), this division recorded a lower PAT of RM 1.5 million versus RM 3.7 million for the preceding year corresponding quarter. The reduction in PAT was in line with the lower PBT stated above.

Green Energy Segment

During the current quarter under review, the division recorded a PBT of RM 0.05 million versus RM 0.16 million during the preceding year corresponding quarter. Lower PBT in the current quarter under review was mainly attributable to professional fees for the fourth cycle of the large-scale solar programme ("LSS4 project"). However, the impact was partly mitigated by the revenue generated from Net Energy Metering Scheme.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B1. Review of Group Performance (Cont'd)**Property Investment Segment

For the current quarter under review, the division recorded a PBT of RM 0.11 million versus RM 0.17 million loss before tax during the preceding year corresponding quarter. The better performance was attributed to the gain on disposal of an investment property located in Semenyih. The management is actively looking to monetise the remaining investment properties as soon as possible.

B2. Comparison with Immediate Preceding Quarter Results

	3 Months Individual Period		
	31.12.2021 RM	30.9.2021 RM	Variance %
Revenue	75,991,049	69,649,063	9.1%
Profit Before Taxation	2,077,664	3,163,406	-34.3%
Profit After Taxation	1,621,619	1,849,121	-12.3%

During the current quarter under review, the increase in the Group's revenue was mainly due to higher progress billings from its on-going construction projects. However, the Group's PBT and PAT were lower mainly due to loss on Alamsari project, after offsetting the proceeds from insurance claims.

B3. Prospects

The Group expects gradual growth on the Construction and Support Service Segment following the continuation and acceleration of major infrastructure projects and improvement in property industry as the broader economic recovery happens post lockdown. However, the rising cost of construction materials and workforce shortages are expected to impact the Group's profitability.

Moving forward, the Group's focus will be to:

1. Coordinate efforts to fulfil the remaining order book of RM648.9 million within the contract period;
2. Bid for more projects to replenish its order book; and
3. Review and monitor costs and expenses to further improve operational efficiency.

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

The Group acquired 51.0% equity interest in SERB in view of the positive long-term prospects of the expansion into quarry operations as per note B6 below. SERB now operates nine (9) quarries strategically located in Peninsular Malaysia, which will provide an additional income stream to the Group in 2022.

Based on the above, the Group remains optimistic on its performance for 2022.

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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 year under review.

B5. Taxation

	Unaudited	Audited
	12 Months Ended	
	31.12.2021	31.12.2020
	RM	RM
Income tax	2,783,300	3,890,865
Deferred tax	(687,978)	654,355
	2,095,322	4,545,220

The Group's effective tax rate ("ETR") for the financial year is higher than statutory tax rate of 24.0% mainly due to certain expenses not tax deductible and there is no Group tax relief available over the loss making companies with the Group. However, higher ETR was partly mitigated by the deferred tax movement.

B6. Status of Corporate Proposals

There are no corporate proposals that have not been completed as at the date of this report, other than disclosed below:-

Multiple Proposals

On 17 June 2021, Advancecon made an announcement on Bursa Malaysia that the Company had entered into a conditional share sale agreement ("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 ("Proposed Diversification").

The Proposed Acquisition and Proposed Diversification were approved by the shareholders on 26 October 2021.

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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 (CONT'D)

On 15 November 2021, the Company announced that all the conditions precedent set out in the SSA have been fulfilled and the SSA has become unconditional on the same day.

On 13 December 2021, the Company announced that the Consideration Shares of 33,000,000 issued pursuant to the Proposed Acquisition were listed and quoted on the Bursa Malaysia, which marks the completion of the Proposed Acquisition.

Private Placement up to 10% of the total number of shares ("Private Placement")

On 15 October 2021, the Company proposed to undertake a private placement of up to 10% of the total number of issued shares of the Company (excluding Treasury Shares) to third party investor(s) to be identified at an issue price to be determined in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016.

The application pursuant to the proposed Private Placement was submitted to Bursa Malaysia on 27 October 2021.

Bursa Malaysia had, vide its letter dated 29 October 2021, approved the listing and quotation of up to 44,881,300 placement shares to be issued pursuant to the proposed Private Placement.

The Private Placement was completed on 29 December 2021 in one (1) tranche comprising 43,943,000 placement shares at RM0.2735 per share and the status of the utilisation of proceeds is set out as per note B7(2) below.

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

B7. Status of Utilisation of Proceeds Raised from Corporate Exercise

1. Utilisation of proceeds from the Initial Public Offering ("IPO")

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	(13,963)	13,087	Within 78 ⁽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⁾	(1,003)	13,087	Within 78 ⁽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>(43,613)</u>	<u>13,087</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 by RM 0.51 million and RM 0.05 million respectively to day-to-day working capital expenses for payment to suppliers.
- (3) On 6 January 2022, the Board announced to further extend the estimate timeframe for the utilisation of the balance IPO proceeds from 54 months to 78 months from date of IPO, up till 10 January 2024.

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

B7 Status of Utilisation of Proceeds Raised from Corporate Exercise (Cont'd)

2. Utilisation of proceeds from the Private Placement

No	Details of utilisation	Proposed utilisation	Actual utilisation of proceeds	Unutilised proceeds	Estimated timeframe for utilisation
		RM'000	RM'000	RM'000	
i.	Shareholders' advances to SERB pursuant to the Proposed Acquisition	10,200	(10,200)	-	Upon completion of the Proposed Private Placement
ii.	Working capital of the Group	1,772	(1,772)	-	Within 24 months upon receipt of the placement funds
iii.	Estimate expenses for the Proposed Private Placement	46	(46)	-	Upon completion of the Proposed Private Placement
		<u>12,018</u>	<u>(12,018)</u>	<u>-</u>	

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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 31.12.2021 RM	Audited As at 31.12.2020 RM
<u>Non-current</u>		
Term loans	48,039,001	24,693,873
Lease liabilities	20,838,905	32,213,598
<u>Current</u>		
Term loans	9,305,771	1,225,147
Lease liabilities	17,292,942	20,897,158
Bankers' acceptances	20,621,288	19,907,931
Invoice financing	7,021,641	10,241,415
Revolving credit	3,000,000	13,500,000
Bank overdrafts	-	3,878,937
Bank factoring	-	6,592,975
	126,119,548	133,151,034

B9. Material Litigation

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

Spring Energy Sdn. Bhd. ("SESB" or "the Defendant") an indirect 51.0% owned by Advancecon Holdings Berhad had on 19 April 2021 received a Writ of Summon and Statement of Claim both dated 16 April 2021 filed by Zeti Ismrizan Binti Isa and 5 others ("Plaintiffs").

Persatuan Penduduk Bukit Damar Dengkil and SESB have entered into an agreement to construct the Link Road & Access Road and earthwork at Lot 281 & 282 of Kampung Bukit Damar. The Plaintiffs are claiming that the work carried out by SESB was done without their consent that the work has caused damages and/or variation to the quality or nature to their lands. Therefore, the Plaintiffs have filed the Writ of Summons and Statement of Claim against SESB to claim for the purported losses and/or damages suffered by them including the purported decrease of value of their lands.

Pursuant to the Writ of Summons and Statement of Claim, the Plaintiffs are claiming from SESB for the sum of RM3,966,065.18 being the alleged specific damages suffered by the Plaintiffs due to the purported damages and/or variation to the quality or nature caused to their lands by SESB who has carried out construction work without the consent of the Plaintiffs.

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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)

SESB has raised a Third Party Claim against Persatuan Penduduk Bukit Damar Dengkil, Dato' Mohamad Hussin bin Semail and Muhammad Faizal bin M. Hairi (hereinafter referred as "the Third Parties") to indemnify SESB for any losses and/or damages suffered by SESB as a result of the Plaintiffs' claim as the Third Parties have breached the agreement and/or failed to obtain the consent from the Plaintiffs and/or have fraudulently or negligently misrepresented SESB that they have obtained the consent from all the landowners of Lot 281 and Lot 282 for SESB to commence the work. The Third Parties have filed application to strike out SESB's Third Party Claim on 6 August 2021 ("Strike Out Application").

On 3 November 2021 for hearing of the Strike Out Application, the High Court has allowed for the Strike Out Application due to technical irregularity and the High Court has fixed the case management on 17 November 2021 for the main suit.

The Court has during the case management on 17 November 2021 directed the parties to file and serve 'Tabulated Summary of parties positions and arguments on the issues and sub-issues' and submit list of witness and Witness Statement by 4 January 2022. The Court has fixed the next case management on 6 January 2022 to fix the trial date.

During the case management on 17 November 2021, SESB has also informed the Court that SESB will file an appeal against the High Court's decision in striking out the SESB's claim against Dato' Mohamad Hussin bin Semail and Muhammad Faizal bin M. Hairi and will file a leave application to add Persatuan Penduduk Bukit Damar Dengkil as Third Party to the Main Suit.

SESB has then filed Notice of Appeal in Court of Appeal on 18 November 2021. The case management for the Appeal is fixed on 7 January 2022.

On 30 November 2021, SESB filed in Shah Alam High Court the Notice of Application to seek leave to add the Persatuan Penduduk Bukit Damar Dengkil as Third Party and the Affidavit in Support ("Leave Application"). The Court has fixed the case management before the Judge on 17 December 2021.

During the case management on 17 December 2021, the Court has fixed the hearing for the Leave Application on 6 January 2022 before the Judge.

The Court had on 6 January 2022 disallowed the Leave Application and fixed the Trial dates on 21 July 2022, 22 July 2022 and 25 July 2022, during the case management.

SESB had on 9 February 2022 requested to withdraw the appeal and the Court has now fixed on 10 March 2022 as the hearing date to decide the cost for withdrawal.

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

B10. Dividends Declared

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

B11. Earnings Per Share

	Unaudited 12 Months Ended 31.12.2021	Audited 12 Months Ended 31.12.2020
Profit after tax attributable to the owners of the Company (RM)	2,049,957	2,101,045
Basic earnings per share		
Weighted average number of ordinary shares	410,971,308	398,812,638
Basic earnings per share (sen) ⁽¹⁾	0.50	0.53
Diluted earnings per share		
Weighted average number of ordinary shares	411,173,793	399,862,278
Diluted earnings per share (sen) ⁽²⁾	0.50	0.53

Notes:

- (1) The basic earnings 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 Scheme ("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. Profit Before Taxation

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

	Unaudited	
	Individual Quarter 31.12.2021	Cumulative Quarter 31.12.2021
	RM	RM
Auditors' remuneration	45,500	182,000
Depreciation:		
- property, plant and equipment	6,392,028	25,699,563
- investment properties	128,976	539,341
Directors' remuneration	1,133,821	3,887,580
Interest expenses	1,530,320	5,897,321
Property, plant and equipment written off	1	957
Staff costs	10,487,187	42,147,457
Gain on disposal of property, plant and equipment	-	(877,210)
Gain on disposal of investment properties	(258,497)	(354,673)
Interest income	(331,960)	(1,319,678)
Dividend income from short-term investments	(40,956)	(75,867)

BY ORDER OF THE BOARD

24 FEB 2022