



ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2022

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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 THIRD QUARTER ENDED 30 SEPT 2022

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Period	Preceding Year Corresponding Period
		30.9.2022 RM	30.9.2021 RM	30.9.2022 RM	30.9.2021 RM
Revenue	A9	122,407,957	69,649,063	326,567,590	194,811,401
Cost of Sales		(114,554,667)	(62,577,910)	(310,119,217)	(178,209,175)
Gross Profit		7,853,290	7,071,153	16,448,373	16,602,226
Other Income		1,453,790	1,045,976	10,302,917	2,633,426
		9,307,080	8,117,129	26,751,290	19,235,652
Selling And Distribution Expenses		(398,717)	-	(2,104,881)	-
Administrative Expenses		(5,669,930)	(3,540,671)	(17,045,919)	(11,471,192)
Other Expenses		(1,733,065)	(542,910)	(5,753,806)	(1,868,593)
Finance Costs		(3,298,200)	(1,408,891)	(9,570,240)	(4,367,001)
Share of Result Of An Equity Accounted Associate		897,009	538,749	1,201,351	538,749
(Loss)/ Profit Before Taxation	B12	(895,823)	3,163,406	(6,522,205)	2,067,615
Income Tax Expense	B5	(1,714,470)	(1,092,944)	(4,152,629)	(2,503,345)
Deferred Tax	B5	143,913	(221,341)	261,376	864,068
(Loss)/ Profit After Taxation / Total Comprehensive (Loss) or Income for the Financial Period		(2,466,380)	1,849,121	(10,413,458)	428,338
Total Comprehensive Income/ (Loss) attributable to:					
- Owners of the Company		660,960	1,849,121	(866,787)	428,338
- Non-controlling interests		(3,127,340)	-	(9,546,671)	-
Earnings/ (Loss) per share (sen)					
- Basic	B11	0.14	0.46	(0.18)	0.11
- Diluted	B11	0.14	0.46	(0.18)	0.11

(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 2021 and the accompanying explanatory notes as attached to the interim financial statements.)

ADVANCECON HOLDINGS BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2022

	(Unaudited) As at Current Quarter 30.9.2022 RM	(Audited) As at Financial Year Ended 31.12.2021 RM
ASSETS		
Non-current assets		
Investment in an associate and joint venture	1,766,332	564,981
Joint venture	96,561	-
Property, plant and equipment	211,417,805	108,461,221
Investment properties	36,438,541	38,618,591
Goodwill	16,169,678	-
Intangible assets	21,872,384	-
Deferred tax assets	7,552,149	160,149
Finance lease receivables	1,726,200	2,326,035
Trade receivables	512,359	636,658
Other receivables	988,774	1,387,312
	298,540,783	152,154,947
Current assets		
Inventories	15,291,423	-
Contract assets	137,194,197	104,091,186
Finance lease receivables	788,002	717,340
Trade receivables	77,184,641	41,279,622
Other receivables, deposits and prepayments	42,097,735	52,740,450
Amount owing by an associate and joint venture	2,124,795	2,086,597
Short-term investments	2,175,561	2,845,915
Current tax assets	3,847,376	3,455,520
Deposits with licensed banks	63,718,158	59,979,480
Cash and bank balances	21,483,525	22,681,441
	365,905,413	289,877,551
TOTAL ASSETS	664,446,196	442,032,498

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2022 (CONT'D)

	(Unaudited) As at Current Quarter 30.9.2022 RM	(Audited) As at Financial Year Ended 31.12.2021 RM
EQUITY AND LIABILITIES		
Equity		
Share capital	114,139,592	114,139,592
Treasury shares	(3,249,343)	(3,249,343)
Retained profits	103,818,354	104,685,141
	<u>214,708,603</u>	<u>215,575,390</u>
Non-controlling interests	10,259,063	-
TOTAL EQUITY	<u>224,967,666</u>	<u>215,575,390</u>
Non-current liabilities		
Deferred tax liabilities	10,338,012	3,758,402
Amount owing to related parties	26,782,896	-
Long-term borrowings	64,871,406	48,039,001
Lease liabilities	22,291,249	20,838,905
	<u>124,283,563</u>	<u>72,636,308</u>
Current liabilities		
Contract liabilities	34,443,937	22,389,595
Trade payables	99,244,066	60,338,350
Other payables and accruals	26,998,704	13,581,875
Amount owing to related parties	3,898,816	-
Amount owing to an associate and joint venture	4,320,780	269,338
Current tax liabilities	463,477	-
Short-term borrowings	110,923,210	39,948,700
Lease liabilities	25,586,290	17,292,942
Bank overdrafts	9,315,687	-
	<u>315,194,967</u>	<u>153,820,800</u>
TOTAL LIABILITIES	<u>439,478,530</u>	<u>226,457,108</u>
TOTAL EQUITY AND LIABILITIES	<u>664,446,196</u>	<u>442,032,498</u>
Net asset per share (RM)	<u>0.44</u>	<u>0.44</u>

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021 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 THIRD QUARTER ENDED 30 SEPT 2022**

	Share Capital	Treasury Shares	Non-Distributable Employee Share Option Reserve	Distributable Retained Profits	Attributable to Owners of the Company	Non-controlling Interest	Total Equity
	RM	RM	RM	RM	RM	RM	RM
The Group (Audited)							
Balance at 1.1.2021	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712	-	187,560,712
Profit after taxation / Total comprehensive income for the financial year	-	-	-	2,049,957	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	-	22,248,410
- Share issue expenses	(41,989)	-	-	-	(41,989)	-	(41,989)
- Employees' share options exercised	4,832,100	-	(1,073,800)	-	3,758,300	-	3,758,300
- Employees' share options lapsed	-	-	(626,600)	626,600	-	-	-
Balance at 31.12.2021 (Unaudited)	114,139,592	(3,249,343)	-	104,685,141	215,575,390	-	215,575,390
Balance at 1.1.2022	114,139,592	(3,249,343)	-	104,685,141	215,575,390	-	215,575,390
Loss after taxation / Total comprehensive loss for the financial period	-	-	-	(866,787)	(866,787)	(9,546,671)	(10,413,458)
Contribution by and distribution to owners of the Company:							
- Acquisition of Spring Energy Resources Berhad (Note A11)	-	-	-	-	-	19,805,734	19,805,734
Balance at 30.9.2022	114,139,592	(3,249,343)	-	103,818,354	214,708,603	10,259,063	224,967,666

(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 2021 and the accompanying explanatory notes as attached to the interim financial statements.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2022

	Cumulative Current Period Ended 30.9.2022 RM	Cumulative Comparative Period Ended 30.9.2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss/ (Profit) before taxation	(6,522,205)	2,067,615
Adjustments for:		
Depreciation:		
- property, plant and equipment	39,676,851	19,307,535
- investment properties	473,869	410,365
Amortisation of intangible assets	2,316,243	-
Reversal of impairment losses on trade receivables	(85,532)	-
Interest expense on lease liabilities	2,250,415	1,799,505
Interest expense	7,319,825	2,567,496
Loss on dissolution of subsidiaries	-	866
Gain arising from modification of lease agreements	(14,547)	-
Share of net profit of an equity accounted associate and joint venture	(1,201,351)	(538,749)
Property, plant and equipment written off	15,891	956
Gain on disposal of property, plant and equipment	(5,916,947)	(877,210)
Gain on disposal of investment properties	(85,789)	(96,176)
Dividend income from short-term investments	(29,646)	(34,911)
Interest income	(1,034,066)	(987,718)
Operating profit before working capital changes	37,163,011	23,619,574
(Increase) / Decrease in contract assets	(32,899,561)	2,664,933
Increase in contract liabilities	14,297,512	3,100,169
Increase in inventories	(2,888,766)	-
Decrease in trade and other receivables	22,381,711	12,693,068
(Decrease) / Increase in trade and other payables	(28,581,178)	5,108,172
Decrease / (Increase) in amount owing by an associate company and joint venture	6,225,692	(4,757,636)
Cash from operations	15,698,421	42,428,280
Interest paid	(9,570,240)	(4,367,001)
Income tax paid	(2,611,588)	(2,581,762)
NET CASH FROM OPERATING ACTIVITIES	3,516,593	35,479,517

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2022 (CONT'D)

	Cumulative Current Period Ended 30.9.2022 RM	Cumulative Comparative Period Ended 30.9.2021 RM
CASH FLOWS FROM / (FOR) INVESTING ACTIVITIES		
Interest received	1,034,066	987,718
Net cash outflow from acquisition of investment (Note A11)(b)	(14,830,482)	-
Dividend income from short-term investments	29,647	34,911
Increase in deposits pledged with licensed bank	(1,286,993)	(9,158,598)
Purchase of property, plant and equipment	(729,247)	(2,538,224)
Addition of investment properties	-	(2,600)
Proceeds from dissolution of subsidiaries	-	2,128
Proceeds from disposal of property, plant and equipment	3,631,246	2,680,348
Proceeds from disposal of investment properties	205,000	1,514,400
Proceeds from finance lease receivables	529,173	697,502
Advances from related parties	17,529,401	-
Repayment to an associate and joint venture	(182,940)	(22,251)
NET CASH FROM (FOR) INVESTING ACTIVITIES	5,928,871	(5,804,666)
CASH FLOWS (FOR) /FROM FINANCING ACTIVITIES		
Repayment from an associate and joint venture	(2,029,508)	(98,942)
Proceeds from exercise of employees' share options	-	3,758,300
Net (repayment)/drawdown of term loans	(11,953,304)	20,958,226
Net drawdown/(repayment) of bankers' acceptances	613,515	(1,145,614)
Net drawdown of invoice financing	2,901,146	3,319,692
Net drawdown/(repayment) of revolving credit	6,000,000	(4,500,000)
Net drawdown/ (repayment) of bank factoring	8,326,067	(4,392,976)
Repayment of lease liabilities	(24,487,337)	(17,104,443)
Repayment to a director	-	(192,290)
NET CASH (FOR)/ FROM FINANCING ACTIVITIES	(20,629,421)	601,953
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT	(11,183,957)	30,276,804
Cash and cash equivalents at beginning of the financial period	25,527,356	(255,501)
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL PERIOD	14,343,399	30,021,303



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THIRD QUARTER ENDED 30 SEPT 2022 (CONT'D)**

	Cumulative Current Period Ended 30.9.2022 RM	Cumulative Comparative Period Ended 30.9.2021 RM
Cash and cash equivalent comprised of:		
Deposits with licensed banks	63,718,158	59,211,743
Short-term investments	2,175,561	7,304,958
Cash and bank balances	21,483,525	24,010,975
Bank overdrafts	<u>(9,315,687)</u>	<u>(1,294,630)</u>
	78,061,557	89,233,046
Less: Deposits pledged to licensed banks	<u>(63,718,158)</u>	<u>(59,211,743)</u>
	<u>14,343,399</u>	<u>30,021,303</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 2021 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 THIRD QUARTER ENDED 30 SEPT 2022

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 2021, except for the adoption of the following Amendments to MFRS beginning 1 January 2022:

- Annual Improvements to MFRS 9 "Financial Instruments" on 'Fees in the 10% test for derecognition of financial liabilities'.
- Amendments to MFRS 3 "Business Combinations" on 'Reference to Conceptual Framework'.
- Amendments to MFRS 116 "Property, Plant and Equipment" on 'Proceeds before intended use'.
- Amendments to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" on 'Onerous contracts—cost of fulfilling a contract'.

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 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
• Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies;	2023
• Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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 THIRD QUARTER ENDED 30 SEPT 2022 (CONT'D)

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2021.

A4. Seasonal or Cyclical Factors

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

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

Other than those disclosed in the financial statements, there were no material unusual items affecting the amounts reported for the current quarter ended 30 Sept 2022.

A6. Changes in Estimates

There were no changes in estimates that have a material effect on the amounts reported for the current quarter ended 30 Sept 2022.

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 2022.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2022 (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.
- (d) Quarry Operation – involved in quarry operation and sale of related products.

	Construction and Support Services	Property Investment	Green Energy	Quarry Operation	Consolidation Adjustment	Total
The Group	RM	RM	RM	RM	RM	RM
Revenue						
External revenue	222,516,937	399,696	317,084	103,333,873	-	326,567,590
Inter-segment revenue	53,807,338	27,000	-	6,911,065	(60,745,403)	-
Consolidated revenue	<u>276,324,275</u>	<u>426,696</u>	<u>317,084</u>	<u>110,244,938</u>		<u>326,567,590</u>

Represented by:

Revenue recognised at a point in time

Sale of goods	8,148,901	-	-	-	(2,174,729)	5,974,172
Quarry operations and sale of related products	-	-	-	67,733,383	(2,147,941)	65,585,442
Hiring of machinery	54,923,232	-	-	923,150	(46,880,519)	8,965,863
Day work revenue	5,602,187	-	-	-	-	5,602,187
Solar energy-Operating revenue	-	-	230,692	-	-	230,692
Cabin Living Quarters Rental	36,896	-	-	-	-	36,896

Revenue recognised over time

Contract revenue	202,639,947	-	-	41,588,405	(4,542,102)	239,686,250
Rental income from investment properties	-	426,696	-	-	(27,000)	399,696
Solar energy-Contract revenue	-	-	86,392	-	-	86,392

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2022 (CONT'D)

A9. Segmental Reporting (Cont'd)

The Group (Cont'd)	Construction and Support Services RM	Property Investment RM	Green Energy RM	Quarry Operation RM	Consolidation Adjustment RM	Total RM
Represented by: (Cont'd)						
<u>Revenue from other sources</u>						
Dividend income	1,500,000	-	-	-	(1,500,000)	-
Management fee	3,473,112	-	-	-	(3,473,112)	-
	<u>276,324,275</u>	<u>426,696</u>	<u>317,084</u>	<u>110,244,938</u>		<u>326,567,590</u>
Results						
Segment results						782,972
Interest income						1,034,066
Dividend income from short-term investments						29,646
Finance Cost						(9,570,240)
Share of result of an equity accounted associate						1,201,351
Consolidated loss before taxation						(6,522,205)
Income tax expense						(4,152,629)
Deferred Tax						261,376
Consolidated loss after taxation						(10,413,458)
Loss attributable to owners of the Company						
Owners of the Company						(866,787)
Non-Controlling Interest						(9,546,671)

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2022 (CONT'D)

A10. Significant Events after the End of the Financial Period

On 18 October 2022, the Group and Fook Hua Holdings Sdn Bhd ("FHHSB") has entered into a supplemental agreement to set out the terms and conditions for the amicable early settlement of the Profit Guarantee for an amount of RM48.0 million, in view of the force majeure event and the challenging situation faced by the construction and property market that had affected the financial performance of Spring Energy Resources Berhad, a 51% owned indirect subsidiary of the Group.

Subsequently, Spring Energy Sdn. Bhd. ("SESB"), a 51% owned indirect subsidiary of the Company had on 25 October 2022 entered into a Sale and Purchase Agreement with Thong Guan Industries Berhad for the disposal of all that parcel of freehold vacant industrial land measuring 317,300 square metres, held under individual title Geran 67421, Lot 7957, Bandar Gurun, Daerah Kuala Muda, Negeri Kedah, bearing postal address Lot 7957, Mukim Gurun, 08300 Gurun, Kedah ("the said Property") for a total consideration of RM34.0 million only, subject to the terms and conditions contained in the SPA.

A11. Changes in the Composition of the Group

On 17 June 2021, the Company entered into a Shares Sale Agreement with Fook Hua Holdings Sdn Bhd ("FHHSB") for the acquisition of 51% equity interest in Spring Energy Resources Berhad ("SERB"). The total purchase consideration has been satisfied through a combination of cash amounting to RM 15.2 million and the issuance of 33,000,000 new ordinary shares in the Company.

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 Security Bhd, which marks the completion of the Proposed Acquisition. The Company obtained control over SERB subsequently on 5 January 2022. Pursuant thereto, the Proposed Acquisition is deemed completed.

The fair value of the net identifiable assets and goodwill as disclosed below are based on provisional figures which will be finalised within twelve months after the acquisition date.

Effects of the above transaction are as below:

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2022 (CONT'D)

A11. Changes in the Composition of the Group (Cont'd)

(a) Identified assets acquired and liabilities assumed

	RM
Non-current assets	160,503,914
Deferred tax assets	7,392,000
Inventories	12,402,657
Trade and other receivables	60,344,674
Cash and cash equivalents	389,518
Non-current liabilities	(28,907,725)
Lease liabilities	(29,903,425)
Trade and other payables	(146,237,871)
Deferred tax liabilities	(6,897,686)
Minority interests	(10,889,347)
Net identified assets	<u>18,196,709</u>

(b) Net cash outflow arising from Acquisition of SERB

	RM
Purchase consideration	(25,450,000)
Less: Purchase consideration (issuance of new ordinary shares)	10,230,000
Less: Cash and cash equivalent acquired	389,518
	<u>(14,830,482)</u>

(c) Goodwill from business combination

	RM
Fair value of consideration transferred	(25,450,000)
Fair value of identified net assets acquired	18,196,709
Non-controlling interests, based on their proportionate interest	(8,916,388)
Effect from business combination	<u>(16,169,679)</u>

The fair value of net assets and goodwill in the above acquisition are provisional and will be adjusted, if necessary, upon completion of the purchase price allocation as allowed under MFRS 3.

On 1 July 2022, the Company had incorporated a direct wholly-owned subsidiary known as Advancecon Ventures Sdn Bhd with an issued share capital of RM2.00 comprising 2 ordinary shares to carry out business of an Investment Holding Company.

On 21 July 2022, the Company had incorporated an indirect wholly-owned subsidiary known as CLQ Silvervalley Sdn Bhd with an issued share capital of RM10.00 comprising 10 ordinary shares to carry out workers' dormitory related business.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2022 (CONT'D)

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 30.9.2022
RM

7,943,200

A14. Contingent Liabilities

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

A15. Significant Related Party Transactions

The Group had the following transactions with related parties during the financial period ended 30 Sept 2022

	Unaudited 9 Months Ended 30.9.2022 RM
Transaction with Director	
Rent office building	56,700
Transaction with companies in which the Directors have financial interest:	
Rent office buildings	301,500
Sale of quarry product	3,321,237
Rent of machineries and vehicles	124,564
Provision of accounting services	30,000
Rent access road for transporting the quarry products	<u>66,885</u>

ADVANCECON HOLDINGS BERHAD

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(Incorporated in Malaysia)

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
B1. Review of Group Performance

	3 Months Ended			9 Months Ended		
	30.9.2022	30.9.2021	Variance	30.9.2022	30.9.2021	Variance
	RM	RM	%	RM	RM	%
Revenue	122,407,957	69,649,063	75.7%	326,567,590	194,811,401	67.6%
(Loss) Before Taxation	(895,823)	3,163,406	-128.3%	(6,522,205)	2,067,615	-415.4%
(Loss) After Taxation	(2,466,380)	1,849,121	-233.4%	(10,413,458)	428,338	-2,531.1%
Profit / (Loss) attributable to owners of the Company	660,960	1,849,121	-64.3%	(866,787)	428,338	-302.4%

For the current quarter under review, the Group recorded a 75.7% increase in revenue as compared to preceding year corresponding quarter. The increase was mainly attributable to consolidation of Quarry Segment which contributed RM35.6 million to the Group's revenue.

Overall, Construction and Support Services Segment contributed 70.7% (RM 86.6 million) as compared to the preceding year corresponding quarter at 99.6% (RM 69.5 million) of the Group's revenue. Quarry Segment contributed 29.1% (RM 35.6 million) of the Group's revenue and the remaining revenue was derived from the Green Energy and Property Investment Segments.

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 5.6 million (margin: 6.5%) as compared to RM 3.4 million (margin: 5.0%) during the preceding year corresponding quarter.

The increase in PBT and PBT margin during the current quarter was mainly contributed by west coast projects and new project from associate company.

Green Energy Segment

During the current quarter under review, the division recorded a PBT of RM 0.04 million versus a loss before taxation ("LBT") of RM 0.09 million during the preceding year corresponding quarter. LBT recorded during the preceding year corresponding quarter was mainly attributable to professional fees and bank charges for Large Scale Solar ("LSS4") project.

Property Investment Segment

During the current quarter under review, the division recorded higher LBT of RM 0.3 million versus LBT of RM 0.2 million in the preceding year corresponding quarter. Higher LBT in current quarter under review was attributable to the agent fee for the disposal of investment properties. Management is continuously looking to monetise the investment properties.

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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)

Quarry Segment

During the current quarter under review, the division recorded a lower loss attributable to Owners of the Company of RM 3.1 million versus RM 5.1 million in the preceding quarter. Lower loss mainly attributed to lower diesel price during the quarter. Management will endeavour to address operational challenges to improve the performance of this segment.

	3 Months Ended			30.9.2021 RM
	30.9.2022 Before Business combination RM	Quarry Effect from Business combination RM	30.9.2022 After Business combination RM	
Revenue	86,835,615	35,572,342	122,407,957	69,649,063
Profit / (Loss) Before Taxation	5,382,721	(6,278,544)	(895,823)	3,163,406
Profit / (Loss) After Taxation	3,735,486	(6,201,866)	(2,466,380)	1,849,121
Profit / (Loss) attributable to owners of the Company	3,735,486	(3,074,526)	660,960	1,849,121

Overall, the Group reported a marginal profit attributable to Owners of the Company of RM 0.7 million after consolidating the loss of RM 3.1 million from Quarry Segment.

B2. Comparison with Immediate Preceding Quarter Results

	3 Months Individual Period		
	30.9.2022 RM	31.6.2022 RM	Variance %
Revenue	122,407,957	99,167,163	23.4%
(Loss) Before Taxation	(895,823)	(1,639,695)	45.4%
(Loss) After Taxation	(2,466,380)	(3,422,882)	27.9%
Profit / (Loss) attributable to owners of the Company	660,960	548,838	20.4%

Overall, the Group reported higher profit attributable to owners of the Company amounting to RM 0.7 million as compared to RM0.5 million in the preceding quarter mainly due to higher revenue and profit margin generated from Construction and Support Service Segment.

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

B3. Prospects

The COVID-19 pandemic continues to cause sporadic outbreaks globally, leading to severe supply chain disruptions, higher material prices, shortage of labour, increased in interest rate and volatility in diesel prices. In addition, the conflict in Ukraine and tighter monetary policy are now hitting the world economy already weakened by the pandemic. As such, the economic environment is expected to remain challenging in the short to medium term.

Nevertheless, the Group will continue to invest in our workforce to ensure it remain efficient, and taking a very prudent approach to managing the risks and costs.

Moving forward, the Group will actively look for opportunities to enhance our development and production services and assets by focusing on:

1. Executing our project order book with a total of RM511.4 million;
2. Tendering for more projects to replenish our order book;
3. Seizing any opportunity to expand our business income; and
4. Continuously reviewing our cost control strategies to further improve operational efficiency.

The Group will strive to achieve a positive performance for 2022.

B4. Profit Forecast

The Group did not issue any profit forecast or profit guarantee during the current year to date under review.

B5. Taxation

	Unaudited 9 Months Ended	
	30.9.2022	30.9.2021
	RM	RM
Income tax	4,152,629	2,503,345
Deferred tax	(261,376)	(864,068)
	<u>3,891,253</u>	<u>1,639,277</u>

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 within the Group. However, higher ETR was partly mitigated by the deferred tax movement.

B6. Status of Corporate Proposals

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

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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	(14,245)	12,805	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⁾	(1,285)	12,805	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>(43,895)</u>	<u>12,805</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)

B8. Group Borrowings and Debt Securities

	Unaudited As at 30.9.2022 RM	Audited As at 31.12.2021 RM
<u>Non-current</u>		
Term loans	64,871,406	48,039,001
Lease liabilities	22,291,249	20,838,905
<u>Current</u>		
Term loans	19,505,009	9,305,771
Lease liabilities	25,586,290	17,292,942
Bankers' acceptances	42,926,819	20,621,288
Invoice financing	31,165,315	7,021,641
Revolving credit	9,000,000	3,000,000
Bank overdrafts	9,315,687	-
Bank factoring	8,326,067	-
	232,987,842	126,119,548

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") a wholly owned subsidiary of Spring Energy Resources 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") under Shah Alam High Court Civil Suit No. BA-23NCVC-24/04/2021 (Suit 24).

Persatuan Penduduk Bukit Damar Dengkil and SESB 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 in the 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 which carried out construction work without the consent of the Plaintiffs.

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 filed an application to strike out SESB's Third Party Claim on 6 August 2021 ("Strike Out Application").

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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)

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

The Court had 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 then 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 SESB's claim against Dato' Mohamad Hussin bin Semail and Muhammad Faizal bin M. Hairi would file a leave application to add Persatuan Penduduk Bukit Damar Dengkil as Third Party to the Main Suit.

SESB then filed Notice of Appeal in Court of Appeal on 18 November 2021. The case management for the Appeal was 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 had fixed the case management before the Judge on 17 December 2021.

During the case management on 17 December 2021, the Court 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 vacated the hearing on 10 March 2022 as the Parties reached a consensus for withdrawal with costs of RM500 to be paid by SESB. Further, Spring Energy Sdn Bhd initiated a new proceeding against Dato' Mohamed Dahan Bin Abdul Latif, being sued in the capacity of the Chairman/Office bearer for Persatuan Penduduk Bukit Damar Dengkil for breach of contract and against Mohamad Hussin bin Semail and Muhammad Faizal bin M.Hairi under the tort of deceit and misrepresentation. The Writ of Summons and Statement of Claim were filed on 8 March 2022, under Suit No. BA-22NCVC-99-03/2022 ("Suit 99").

On 15 July 2022, High Court allowed the consolidation application by SESB with cost in the cause and Suit 24 will be transferred and consolidated with Suit 99 (the Suit against 3rd party) and will be heard by YA Dato' Dr Choo Kah Sing. Therefore, the trial dates that were initially fixed on 21 July 2022, 22 July 2022 and 25 July 2022 have been vacated and new directions in respect of this matter will be given.

As of the date of this report, the hearing date has not been fixed.

B10. Dividends Declared

There was no dividend declared during the current year under review.

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

B11. (Loss)/Earnings Per Share

	Unaudited 9 Months Ended	
	30.9.2022	30.9.2021
(Loss)/Profit after tax attributable to the owners of the Company (RM)	(866,787)	428,338
Basic earnings per share		
Weighted average number of ordinary shares	483,374,700	404,436,423
Basic (loss)/earning per share (sen) ⁽¹⁾	(0.18)	0.11
Diluted earnings per share		
Weighted average number of ordinary shares	483,374,700	404,638,908
Diluted (loss)/earning per share (sen) ⁽²⁾	(0.18)	0.11

Notes:

- (1) The basic earnings per share was computed based on (loss)/earnings attributable to owners of the Company divided by the weighted average number of ordinary shares.
- (2) Diluted earnings per ordinary share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. Since the Employees' Share options Scheme ("ESOS") was expired in March 2021, the diluted earnings per share is equal to the basic earnings per share.

B12. (Loss)/Profit Before Taxation

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

	Unaudited	
	Individual Quarter 30.9.2022 RM	Cumulative Quarter 30.9.2022 RM
Auditors' remuneration	73,625	220,875
Depreciation:		
- property, plant and equipment	12,695,614	39,676,851
- investment properties	154,419	473,869
Amortisation of intangible asset	772,081	2,316,243
Directors' remuneration	755,756	2,424,043
Royalties and tributes	3,066,976	11,190,963
Interest expenses	3,298,200	9,570,240
Property, plant and equipment written off	688	15,891
Staff costs	18,598,808	57,101,624
Reversal of impairment losses on trade receivables	87,812	(85,532)
Gain on disposal of property, plant and equipment	(184,031)	(5,916,947)
Gain on disposal of investment property	-	(85,789)
Interest income	(364,404)	(1,034,066)
Dividend income from short-term investments	(11,261)	(29,646)

BY ORDER OF THE BOARD

24 November 2022