



ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2022

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ADVANCECON HOLDINGS BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FOURTH QUARTER ENDED 31 DEC 2022

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Period	Preceding Year Corresponding Period
		31.12.2022 RM	31.12.2021 RM	31.12.2022 RM	31.12.2021 RM
Revenue	A9	95,782,294	75,991,049	422,349,884	270,802,450
Cost of Sales		(106,020,107)	(73,694,526)	(416,139,324)	(251,903,701)
Gross (Loss) / Profit		(10,237,813)	2,296,523	6,210,560	18,898,749
Other Income		49,538,366	5,881,680	59,841,283	8,515,106
		39,300,553	8,178,203	66,051,843	27,413,855
Selling And Distribution Expenses		(80,906)	-	(2,185,787)	-
Administrative Expenses		(9,867,798)	(4,030,350)	(26,913,717)	(15,501,542)
Other Expenses		(30,971,851)	(734,851)	(36,725,657)	(2,603,444)
Finance Costs		(4,448,418)	(1,530,320)	(14,018,658)	(5,897,321)
Share of Result Of An Equity Accounted Associate		(306,410)	26,232	894,941	564,981
(Loss) / Profit Before Taxation	B12	(6,374,830)	1,908,914	(12,897,035)	3,976,529
Income Tax Expense	B5	2,677,999	(111,205)	(1,474,630)	(2,614,550)
Deferred Tax	B5	1,026,692	(176,090)	1,288,068	687,978
(Loss) / Profit After Taxation / Total Comprehensive (Expenses) / Income for the Financial Period		(2,670,139)	1,621,619	(13,083,597)	2,049,957
Total Comprehensive (Expenses) / Income attributable to:					
- Owners of the Company		(20,831,348)	1,621,619	(21,698,135)	2,049,957
- Non-controlling interests		18,161,209	-	8,614,538	-
(Loss) / Earnings per share (sen)					
- Basic	B11	(4.31)	0.40	(4.49)	0.50
- Diluted	B11	(4.31)	0.40	(4.49)	0.50

(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 31 DEC 2022

	(Unaudited) As at Current Quarter 31.12.2022 RM	(Audited) As at Financial Year Ended 31.12.2021 RM
ASSETS		
Non-current assets		
Investment in an associate and joint venture	1,475,013	564,981
Property, plant and equipment	190,091,551	108,461,221
Investment properties	36,052,795	38,618,591
Intangible assets	4,478,283	-
Deferred tax assets	1,400,874	160,149
Finance lease receivables	756,929	2,326,035
Trade receivables	429,745	636,658
Other receivables	3,695,433	1,387,312
	<u>238,380,623</u>	<u>152,154,947</u>
Current assets		
Inventories	13,212,528	-
Contract assets	117,881,774	104,091,186
Finance lease receivables	360,950	717,340
Trade receivables	83,070,327	41,279,622
Other receivables, deposits and prepayments	35,286,307	52,740,450
Amount owing by an associate and joint venture	17,184,129	2,086,597
Short-term investments	234,321	2,845,915
Current tax assets	7,153,727	3,455,520
Deposits with licensed banks	64,332,129	59,979,480
Cash and bank balances	34,825,070	22,681,441
	<u>373,541,262</u>	<u>289,877,551</u>
NON- CURRENT ASSET HELD FOR SALE	44,081,822	-
TOTAL ASSETS	<u>656,003,707</u>	<u>442,032,498</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DEC 2022 (CONT'D)

	(Unaudited) As at Current Quarter 31.12.2022 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	82,987,006	104,685,141
	<u>193,877,255</u>	<u>215,575,390</u>
Non-controlling interests	16,622,890	-
TOTAL EQUITY	<u>210,500,145</u>	<u>215,575,390</u>
Non-current liabilities		
Deferred tax liabilities	6,478,820	3,758,402
Amount owing to related parties	23,889,820	-
Long-term borrowings	84,057,529	68,877,906
Lease liabilities	1,900,279	-
	<u>116,326,448</u>	<u>72,636,308</u>
Current liabilities		
Contract liabilities	28,352,108	22,389,595
Trade payables	97,984,275	60,338,350
Other payables and accruals	25,263,376	13,581,875
Amount owing to related parties	2,429,059	-
Amount owing to an associate and joint venture	2,549,361	269,338
Current tax liabilities	241,630	-
Short-term borrowings	149,183,269	57,198,235
Lease liabilities	913,693	43,407
Bank overdrafts	22,260,343	-
	<u>329,177,114</u>	<u>153,820,800</u>
TOTAL LIABILITIES	<u>445,503,562</u>	<u>226,457,108</u>
TOTAL EQUITY AND LIABILITIES	<u>656,003,707</u>	<u>442,032,498</u>
Net asset per share (RM)	<u>0.39</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 FOURTH QUARTER ENDED 31 DEC 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) / Profit after taxation / Total comprehensive (expenses) / income for the financial period	-	-	-	(21,698,135)	(21,698,135)	8,614,538	(13,083,597)
Contribution by and distribution to owners of the Company:							
- Acquisition of Spring Energy Resources Berhad (Note A11)	-	-	-	-	-	8,008,352	8,008,352
Balance at 31.12.2022	114,139,592	(3,249,343)	-	82,987,006	193,877,255	16,622,890	210,500,145

(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 FOURTH QUARTER ENDED 31 DEC 2022

	Cumulative Current Period Ended 31.12.2022 RM	Cumulative Comparative Period Ended 31.12.2021 RM
CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(12,897,035)	3,976,529
Adjustments for:		
Depreciation:		
- property, plant and equipment	52,023,056	25,699,563
- investment properties	620,434	539,341
Amortisation of intangible assets	1,217,680	-
Allowance for impairment losses on		
-trade receivables	3,775,611	-
-other receivables	450,042	-
Impairment losses on goodwill	23,174,544	-
Reversal of impairment losses on trade receivables	(17,357,171)	-
Bad debt written off	-	955
Interest expense on lease liabilities	174,612	3,936
Interest expenses on hire purchase	2,856,860	2,431,703
Interest expense	10,987,186	3,461,682
Loss on dissolution of subsidiaries	-	866
Gain arising from modification of lease agreements	(6,771)	-
Share of net profit of an equity accounted associate and joint venture	(894,941)	(564,981)
Property, plant and equipment written off	3,378,884	957
Gain on disposal of property, plant and equipment	(5,935,733)	(877,210)
Gain on disposal of investment properties	(193,442)	(354,673)
Dividend income from short-term investments	(38,407)	(75,867)
Interest income	(1,592,053)	(1,319,678)
Operating profit before working capital changes	59,743,356	32,923,123
(Increase) / Decrease in contract assets	(16,429,621)	1,965,537
Increase in contract liabilities	5,141,252	5,718,819
Increase in inventories	(722,868)	-
Increase in trade and other receivables	(485,405)	(10,683,464)
(Decrease) / Increase in trade and other payables	(21,969,866)	5,457,144
Increase in amount owing by an associate company and joint venture	(12,817,509)	(1,153,103)
Cash from operations	12,459,339	34,228,056
Interest paid	(14,018,658)	(5,897,321)
Income tax paid	(4,352,082)	(3,281,955)
Income tax refunds	879,285	-
NET CASH (FOR) / FROM OPERATING ACTIVITIES	(5,032,116)	25,048,780

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DEC 2022 (CONT'D)

	Cumulative Current Period Ended 31.12.2022 RM	Cumulative Comparative Period Ended 31.12.2021 RM
CASH FLOWS FROM / (FOR) INVESTING ACTIVITIES		
Interest received	1,592,053	1,319,678
Net cash outflow from acquisition of investment (Note A11)(b)	(12,231,168)	-
Dividend income from short-term investments	38,407	75,867
Increase in deposits pledged with licensed bank	(1,900,964)	(9,926,335)
Purchase of property, plant and equipment	(2,075,801)	(3,795,178)
Addition of investment properties	(1,133,166)	(7,100)
Proceeds from dissolution of subsidiaries	-	2,128
Proceeds from disposal of property, plant and equipment	4,824,454	2,614,300
Proceeds from disposal of investment properties	3,530,000	1,923,224
Repayment from finance lease receivables	1,925,496	862,115
Repayment from related parties	11,524,175	-
Repayment from an associate and joint venture	-	7,724
NET CASH FROM / (FOR) INVESTING ACTIVITIES	6,093,486	(6,923,577)
CASH FLOWS (FOR) / FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	12,018,410
Share issue expenses	-	(41,989)
Advances from an associate and joint venture	-	170,396
Proceeds from exercise of employees' share options	-	3,758,300
Net (repayment) / drawdown of term loans	(16,920,481)	33,187,528
Net (repayment) / drawdown of bankers' acceptances	(8,846,319)	713,357
Net drawdown / (repayment) of invoice financing	5,473,785	(3,219,774)
Net drawdown / (repayment) of revolving credit	14,500,000	(10,500,000)
Net drawdown / (repayment) of bank factoring	24,869,040	(6,592,975)
Repayment of hire purchase	(31,892,135)	(21,571,644)
Repayment of lease liabilities	(973,568)	(71,665)
Repayment to a director	-	(192,290)
NET CASH (FOR) / FROM FINANCING ACTIVITIES	(13,789,678)	7,657,654
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENT	(12,728,308)	25,782,857
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	12,799,048	25,527,356

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR FOURTH QUARTER ENDED 31 DEC 2022 (CONT'D)**

	Cumulative Current Period Ended 31.12.2022 RM	Cumulative Comparative Period Ended 31.12.2021 RM
Cash and cash equivalent comprised of:		
Deposits with licensed banks	64,332,129	59,979,480
Short-term investments	234,321	2,845,915
Cash and bank balances	34,825,070	22,681,441
Bank overdrafts	<u>(22,260,343)</u>	<u>-</u>
	77,131,177	85,506,836
Less: Deposits pledged to licensed banks	<u>(64,332,129)</u>	<u>(59,979,480)</u>
	<u>12,799,048</u>	<u>25,527,356</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 FOURTH QUARTER ENDED 31 DEC 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:

- 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'.
- Annual Improvement to MFRS Standards 2018 - 2020

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
• MFRS 17 Insurance Contracts & Amendments to MFRS 17 Insurance Contracts	2023
• Amendment to MFRS 17: Insurance Contracts – Initial Application of MFRS 17 and MFRS 9: Financial Instruments – Comparative Information	2023
• Amendments to MFRS 108: Definition of Accounting Estimates	2023
• Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023
• Amendments to MFRS 16: Leases – Lease Liability in a Sale and Leaseback	2024
• Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants;	2024
• 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 FOURTH QUARTER ENDED 31 DEC 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 31 December 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 31 December 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 FOURTH QUARTER ENDED 31 DEC 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.
- (e) Centralised Labour Quarter -involved in workers' dormitory/ accommodation services

	Construction and Support Services	Property Investment	Green Energy	Centralised Labour Quarters	Quarry Operation	Consolidation Adjustment	Total
The Group	RM	RM	RM	RM	RM	RM	RM
Revenue							
External revenue	282,207,600	509,181	387,566	16,968	139,228,569	-	422,349,884
Inter-segment revenue	76,841,590	27,000	-	-	10,184,421	(87,053,011)	-
Consolidated revenue	<u>359,049,190</u>	<u>536,181</u>	<u>387,566</u>	<u>16,968</u>	<u>149,412,990</u>		<u>422,349,884</u>
Represented by:							
<u>Revenue recognised at a point in time</u>							
Sale of goods	9,259,544	-	-	-	-	(2,172,342)	7,087,202
Quarry operations and sale of related products	-	-	-	-	89,638,694	(3,040,276)	86,598,418
Hiring of machinery	70,284,107	-	-	-	1,402,338	(58,859,532)	12,826,913
Day work revenue	8,874,246	-	-	-	-	-	8,874,246
Solar energy-Operating revenue	-	-	301,174	-	-	-	301,174
Rental of Centralised Labour Quarters	51,227	-	-	-	-	-	51,227
<u>Revenue recognised over time</u>							
Contract revenue	254,413,665	-	-	-	58,371,958	(6,787,460)	305,998,163
Rental income from investment properties	-	536,181	-	16,968	-	(27,000)	526,149
Solar energy-Contract revenue	-	-	86,392	-	-	-	86,392

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2022 (CONT'D)

A9. Segmental Reporting (Cont'd)

	Construction and Support Services	Property Investment	Green Energy	Centralised Labour Quarter	Quarry Operation	Consolidation Adjustment	Total
The Group (Cont'd)	RM	RM	RM	RM	RM	RM	RM
Represented by: (Cont'd)							
<u>Revenue from other sources</u>							
Dividend income	11,500,000	-	-	-	-	(11,500,000)	-
Management fee	4,666,401	-	-	-	-	(4,666,401)	-
	359,049,190	536,181	387,566	16,968	149,412,990		422,349,884
Results							
Segment results							(1,403,778)
Interest income							1,592,053
Dividend income from short-term investments							38,407
Finance Cost							(14,018,658)
Share of result of an equity accounted associate							894,941
Consolidated loss before taxation							(12,897,035)
Income tax expense							(1,474,630)
Deferred Tax							1,288,068
Consolidated loss after taxation							(13,083,597)
(Loss) / Profit attributable to							
Owners of the Company							(21,698,135)
Non-Controlling Interest							8,614,538

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2022 (CONT'D)

A10. Significant Events after the End of the Financial Period

On 13 January 2023, the Group announced that it will undertake a Proposed Private Placement (PPP) of up to 20% of the total number of issued shares to third party investors. The proceeds of the PPP are intended to be used for the development costs of the Solar Power Plant and the estimated expenses in relation to the PPP. The Solar Power Plant is in line with the Group's plans to expand and focus in the green energy segment. On 3 February 2023, Bursa Malaysia Securities Berhad approved the listing and quotation of up to 96,674,940 Placement Share to be issued pursuant to the PPP. The PPP will be tabled at the Extraordinary General Meeting to be held on 28 February 2023.

On 16 February 2023, Advancecon Solar Sdn Bhd ("Adv Solar"), a wholly-own subsidiary of the Group has mutually agreed to terminate the Memorandum of Understanding ("MOU") with Solarvest Energy Sdn Bhd ("Solarvest") as Solarvest has completed the Engineering, Procurement, Construction and Commissioning works ("EPC works") for Oon Corp Resources (M) Sdn. Bhd.'s project. The MOU was executed in February 2020, to jointly co-operate for the purposes of undertaking solar renewable energy projects in Malaysia. Upon the termination, the MOU shall have no further force or effect and neither party shall have any claim whatsoever against the other, whether directly or indirectly. The Termination will not have any material financial impact on the Group.

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 are as below.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2022 (CONT'D)

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

(a) Identified assets acquired and liabilities assumed

	RM
Non-current assets	142,399,140
Inventories	12,489,660
Trade and other receivables	60,255,395
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	(2,800,199)
Minority interests	(8,319,509)
Net identified assets	<u>(635,015)</u>

(b) Net cash outflow arising from Acquisition of SERB

	RM
Purchase consideration	(22,850,686)
Less: Purchase consideration (issuance of new ordinary shares)	10,230,000
Less: Cash and cash equivalent acquired	389,518
	<u>(12,231,168)</u>

(c) Goodwill from business combination

	RM
Fair value of consideration transferred	(22,850,686)
Fair value of identified net assets acquired	(635,015)
Non-controlling interests, based on their proportionate interest	311,157
Effect from business combination	<u>(23,174,544)</u>

ADVANCECON HOLDINGS BERHAD

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 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 31.12.2022
RM

4,088,956

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 31 Dec 2022

	Unaudited 12 Months Ended 31.12.2022 RM
Transaction with Director	
Rent office building	75,600
Transaction with companies in which the Directors of subsidiaries have financial interest:	
Rent of office buildings	402,000
Sale of quarry product	3,650,323
Rent of machineries and vehicles	124,564
Provision of accounting services	30,000
Rent of access road for transporting quarry products	<u>84,147</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 Ended			12 Months Ended		
	31.12.2022 RM	31.12.2021 RM	Variance %	31.12.2022 RM	31.12.2021 RM	Variance %
Revenue	95,782,294	75,991,049	26.0%	422,349,884	270,802,450	56.0%
(Loss) / Profit Before Taxation	(6,374,830)	1,908,914	-434.0%	(12,897,035)	3,976,529	-424.3%
(Loss) / Profit After Taxation	(2,670,139)	1,621,619	-264.7%	(13,083,597)	2,049,957	-738.2%
(Loss) / Profit attributable to owners of the Company	(20,831,348)	1,621,619	-1,384.6%	(21,698,135)	2,049,957	-1,158.5%

For the current quarter under review, the Group recorded 26.0% increase in revenue as compared to preceding year's corresponding quarter. The increase was mainly attributable to consolidation of Quarry Segment which contributed RM39.2 million to the Group's revenue. Revenue recorded was partly constraint by our early terminations of 2 projects due to non-payments, resulting in a loss by RM11.7 million.

Overall, Construction and Support Services Segment contributed about 58.9% (RM 56.4 million) of Group's revenue whereas Quarry Segment contributed about 40.9% (RM 39.2 million) of the Group's revenue respectively. The remaining revenue was derived from the Green Energy and Property Investment Segments.

Construction and Support Services Segment

The division recorded a loss before taxation ("LBT") of RM 12.7 million and RM 9.2 million for current financial quarter and year to date respectively, as compared to a profit before tax (PBT) of RM 1.9 million and RM 1.5 million for the corresponding quarter and year to date in the preceding year.

The LBT for the current periods was mainly attributable to manpower constraints and project terminations resulting in cost overrun and losses.

Green Energy Segment

During the current quarter under review, the division recorded a lower PBT of RM 0.04 million versus RM 0.05 million for the preceding year corresponding quarter mainly due to higher staff cost for Large Scale Solar ("LSS4") project.

Property Investment Segment

During the current quarter under review, the division recorded a LBT of RM 0.2 million compared to a PBT of RM 0.1 million in the preceding year corresponding quarter. The profit made in the preceding year corresponding period was attributable to the gain from the disposal of a property in Semenyih. 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 loss attributable to Owners of the Company of RM 11.4 million mainly attributable to goodwill impairment. The loss was partly mitigated by early settlement of profit guarantee of RM30.8 million.

	3 Months Ended			
	31.12.2022 Before Business combination RM	Quarry Effect from Business combination RM	31.12.2022 After Business combination RM	31.12.2021 RM
Revenue	56,614,242	39,168,052	95,782,294	75,991,049
(Loss) / Profit Before Taxation	(12,952,647)	6,577,817	(6,374,830)	1,908,914
(Loss) / Profit After Taxation	(9,403,122)	6,732,983	(2,670,139)	1,621,619
(Loss) / Profit attributable to owners of the Company	(9,403,122)	(11,428,226)	(20,831,348)	1,621,619

Overall

The Group reported a loss attributable to Owners of the Company of RM 20.8 million, mainly attributable by goodwill impairment of RM23.1 million.

B2. Comparison with Preceding Quarter Results

	3 Months Ended		
	31.12.2022	30.9.2022	Variance
Revenue	95,782,294	122,407,957	-21.8%
Loss Before taxation	(6,374,830)	(895,823)	-611.6%

During the current quarter under review, the Group recorded a lower revenue of RM95.8 million versus RM122.4 million and higher loss before tax of RM 6.4 million against RM 0.9 million in the preceding quarter, mainly attributable to manpower constraints and project terminations resulting in cost overrun and losses.

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

B3. Prospects

The economic environment in 2022 was challenging for Malaysia. GDP declined by 7.2% from 14.2 % in Third Quarter to 7.0% in Fourth Quarter 2022 (Department of Statistics Malaysia). This contraction affected various sectors, including manufacturing, services and construction sectors. Notwithstanding the tighter economic environment in 2022, Malaysia's GDP is still expected to be positive, growing by 4.0% in 2023. (World Bank's latest Global Economic Prospects report).

The management remains cautious to manage the risk and take proactive steps to ensure the project implemented and will actively look for opportunities to increase growth in its order book. As at the reporting date, total outstanding order book stands at RM 474.6 million.

In the Construction segment, the Group has entered into a Collaboration Agreement with Perbadanan Kemajuan Negeri Perak, (PKNPk) in November 2022 to support Perak state's efforts to ensure safety, comfort, and welfare of workers through the Centralised Labour Quarters (CLQ). It is a public-private partnership in which the Group will contribute necessary technical expertise to reduce the risk of CLQ project implementation. The CLQ project has targeted to develop accommodation for 12,000 workers over a period of 5 years. The Group will continue to focus on efficiency in project execution and to bid for new contract to enhance its order book.

In the Green Energy segment, the Group has executed a Power Purchase Agreement ("PPA") with Tenaga Nasional Berhad in August 2021 for the development of Large Scale Solar Photovoltaic Plant ("LSSPV") of 26MV at Kuala Langat, Selangor. In August 2022, the Energy Commission granted the Group 4 years extension. This will enable the Group to optimize its returns in next 25 years, which is in line with the Group's long-term strategy to grow its sustainable and recurring income.

In the Quarry operation segment, sales for quarry products and premix have improved slightly in Fourth Quarter 2022 by 10% and 26% respectively. The Group expects demand to remain stable in the coming two quarters of 2023, barring with any unforeseen economic circumstances. The Group will continue to focus on the quarry and premix products to boost its revenue in 2023 while maintaining its quality service culture to retain existing and new customers, and to narrow its losses by cost efficiency management.

The Group will continue to exercise prudence in its business and manage operational efficiency to achieve positive performance in 2023. The Group will undertake necessary measures to manage the risk and take proactive steps to mitigate the adverse impacts of rising operating construction cost from materials, equipment and labour cost.

B4. Profit Forecast

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

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B5. Taxation**

	Unaudited 12 Months Ended 31.12.2022	Audited 12 Months Ended 31.12.2021
	RM	RM
Income tax	1,474,630	2,614,550
Deferred tax	(1,288,068)	(687,978)
	<u>186,562</u>	<u>1,926,572</u>

The Group's effective tax rate ("ETR") for the financial year is lower than statutory tax rate of 24.0% mainly due to deferred tax movement.

B6. Status of Corporate Proposals

On 13 January 2023, the Group announced that it will undertake a Proposed Private Placement (PPP) of up to 20% of the total number of issued shares to third party investors. The proceeds of the PPP are intended to be used for the development costs of the Solar Power Plant and the estimated expenses in relation to the PPP. The Solar Power Plant is in line with the Group's plans to expand and focus in the green energy segment. On 3 February 2023, Bursa Malaysia Securities Berhad approved the listing and quotation of up to 96,674,940 Placement Share to be issued pursuant to the PPP. The PPP will be tabled at the Extraordinary General Meeting to be held on 28 February 2023.

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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 31.12.2022 RM	Audited As at 31.12.2021 RM
<u>Non-current</u>		
Term loans	60,431,495	48,039,001
Hire Purchases	23,626,034	20,838,905
Lease liabilities	1,900,279	-
<u>Current</u>		
Term loans	18,977,743	9,305,771
Hire Purchases	20,631,549	17,249,535
Lease liabilities	913,693	43,407
Bankers' acceptances	30,740,989	20,621,288
Invoice financing	26,845,457	7,021,641
Revolving credit	17,500,000	3,000,000
Bank overdrafts	22,260,343	-
Bank factoring	34,487,531	-
	258,315,113	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.

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

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").

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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 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.

On 8 February 2023, the Third Parties have filed the striking out application and the court has fixed the hearing date on 5th April 2023.

B10. Dividends Declared

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

B11. (Loss) / Earnings Per Share

	Unaudited	Audited
	12 Months Ended	
	31.12.2022	31.12.2021
(Loss) / Profit after tax attributable to the owners of the Company (RM)	(21,698,135)	2,049,957
Basic earnings per share		
Weighted average number of ordinary shares	483,374,700	409,352,953
Basic (loss) / earning per share (sen) ⁽¹⁾	(4.49)	0.50
Diluted earnings per share		
Weighted average number of ordinary shares	483,374,700	409,352,953
Diluted (loss) / earning per share (sen) ⁽²⁾	(4.49)	0.50

Notes:

- (1) The basic earnings per share was computed based on 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.

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

B12. (Loss) / Profit Before Taxation

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

	Unaudited	
	Individual Quarter 31.12.2022 RM	Cumulative Quarter 31.12.2022 RM
Auditors' remuneration	152,125	373,000
Depreciation:		
- property, plant and equipment	12,346,205	52,023,056
- investment properties	146,565	620,434
Amortisation of intangible asset	(1,098,563)	1,217,680
Allowance for impairment losses on		
-trade receivables	3,775,611	3,775,611
-other receivables	450,042	450,042
Impairment losses on goodwill	23,174,544	23,174,544
Directors' remuneration	831,488	3,255,531
Royalties and tributes	2,553,642	13,744,605
Interest expenses	4,448,418	14,018,658
Property, plant and equipment written off	3,362,993	3,378,884
Staff costs	22,597,979	79,699,603
Reversal of impairment losses on trade receivables	(17,271,639)	(17,357,171)
Early settlement of profit guarantee	(30,800,000)	(30,800,000)
Gain on disposal of property, plant and equipment	(18,786)	(5,935,733)
Gain on disposal of investment property	(107,653)	(193,442)
Interest income	(557,987)	(1,592,053)
Dividend income from short-term investments	(8,761)	(38,407)

BY ORDER OF THE BOARD

28 FEB 2023