



ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2023

| <u>Table of Contents</u> | <u>Page</u> |
|---|--------------------|
| Unaudited Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income | 1 |
| Unaudited Condensed Consolidated Statement Of Financial Position | 2-3 |
| Unaudited Condensed Consolidated Statement Of Changes In Equity | 4 |
| Unaudited Condensed Consolidated Statement Of Cash Flows | 5-7 |
| Explanatory notes in compliance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting | 8-13 |
| Explanatory notes in compliance with Listing Requirements of the Bursa Malaysia | 14-21 |

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 2023

| | Note | Individual Quarter | | Cumulative Quarter | |
|--|------------|-------------------------|--|------------------------|---|
| | | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year Period | Preceding Year Corresponding Period |
| | | 30.9.2023 RM | 30.9.2022 RM | 30.9.2023 RM | 30.9.2022 RM |
| Revenue | A9 | 122,649,592 | 122,407,957 | 353,101,107 | 326,567,590 |
| Cost of Sales | | (114,024,499) | (114,554,667) | (328,596,674) | (310,119,217) |
| Gross Profit | | 8,625,093 | 7,853,290 | 24,504,433 | 16,448,373 |
| Other Income | | 2,580,811 | 1,453,790 | 13,232,468 | 10,302,917 |
| | | 11,205,904 | 9,307,080 | 37,736,901 | 26,751,290 |
| Selling And Distribution Expenses | | (209,841) | (398,717) | (1,416,494) | (2,104,881) |
| Administrative Expenses | | (5,557,623) | (5,669,930) | (17,326,101) | (17,045,919) |
| Other Expenses | | (1,753,700) | (1,733,065) | (8,693,437) | (5,753,806) |
| Finance Costs | | (3,453,646) | (3,298,200) | (9,861,447) | (9,570,240) |
| Share of Result Of An Equity Accounted Associate | | 115,319 | 530,258 | 162,910 | 834,600 |
| Share of Result Of An Equity Joint Ventures | | 12,305 | 366,751 | 119,409 | 366,751 |
| Profit / (Loss) Before Taxation | B12 | 358,718 | (895,823) | 721,741 | (6,522,205) |
| Income Tax Expense | B5 | (605,949) | (1,714,470) | (3,531,306) | (4,152,629) |
| Deferred Tax | B5 | 117,611 | 143,913 | 51,927 | 261,376 |
| Loss After Taxation / Total Comprehensive Expenses for the Financial Period | | (129,620) | (2,466,380) | (2,757,638) | (10,413,458) |
| Total Comprehensive (Expenses) / Income attributable to: | | | | | |
| - Owners of the Company | | (605,067) | 660,960 | 86,431 | (866,787) |
| - Non-controlling interests | | 475,447 | (3,127,340) | (2,844,069) | (9,546,671) |
| (Loss) / Earnings per share (sen) | | | | | |
| - Basic | B11 | (0.11) | 0.14 | 0.02 | (0.18) |
| - Diluted | B11 | (0.11) | 0.14 | 0.02 | (0.18) |

(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 2022 and the accompanying explanatory notes as attached to the interim financial statements.)

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2023

| | (Unaudited) As at Current Quarter 30.9.2023 RM | (Audited) As at Financial Year Ended 31.12.2022 RM |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Investment in an associate | 1,238,631 | 1,075,721 |
| Investment in joint venture | 600,171 | 480,762 |
| Property, plant and equipment | 224,547,301 | 191,662,059 |
| Investment properties | 34,486,915 | 34,924,716 |
| Intangible assets | 1,225,000 | 1,300,000 |
| Deferred tax assets | 737,216 | 1,379,446 |
| Finance lease receivables | 452,812 | 756,929 |
| Trade receivables | 346,627 | 429,745 |
| Other receivables | 4,456,416 | 3,695,433 |
| | 268,091,089 | 235,704,811 |
| Current assets | | |
| Inventories | 8,664,333 | 13,125,525 |
| Contract assets | 125,574,811 | 117,846,104 |
| Finance lease receivables | 399,126 | 360,950 |
| Trade receivables | 101,538,013 | 83,330,422 |
| Other receivables, deposits and prepayments | 37,697,090 | 35,110,646 |
| Amount owing by an associate | 956,046 | 15,070,187 |
| Amount owing by joint venture | 2,075,685 | 2,113,942 |
| Short-term investments | 241,478 | 234,321 |
| Current tax assets | 4,774,179 | 6,230,764 |
| Deposits with licensed banks | 76,439,523 | 64,332,129 |
| Cash and bank balances | 21,346,317 | 34,825,070 |
| | 379,706,601 | 372,580,060 |
| NON- CURRENT ASSET HELD FOR SALE | - | 43,639,392 |
| TOTAL ASSETS | 647,797,690 | 651,924,263 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2023 (CONT'D)

| | (Unaudited) As at Current Quarter 30.9.2023 RM | (Audited) As at Financial Year Ended 31.12.2022 RM |
|---|--|--|
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 133,729,611 | 114,139,592 |
| Treasury shares | (3,249,343) | (3,249,343) |
| Retained profits | 81,412,962 | 81,326,531 |
| | <u>211,893,230</u> | <u>192,216,780</u> |
| Non-controlling interests | 5,748,078 | 15,020,286 |
| TOTAL EQUITY | <u>217,641,308</u> | <u>207,237,066</u> |
| Non-current liabilities | | |
| Deferred tax liabilities | 5,002,592 | 5,696,750 |
| Long-term borrowings | 86,435,221 | 71,427,961 |
| Lease liabilities | 2,093,117 | 1,900,279 |
| | <u>93,530,930</u> | <u>79,024,990</u> |
| Current liabilities | | |
| Contract liabilities | 24,373,319 | 28,352,108 |
| Trade payables | 116,327,922 | 97,984,275 |
| Other payables and accruals | 41,118,165 | 24,742,863 |
| Amount owing to related parties | 24,794,017 | 26,798,879 |
| Amount owing to joint venture | 1,421,720 | 2,549,361 |
| Current tax liabilities | 589,843 | 247,847 |
| Short-term borrowings | 116,394,441 | 161,812,838 |
| Lease liabilities | 1,317,326 | 913,693 |
| Bank overdrafts | 10,288,699 | 22,260,343 |
| | <u>336,625,452</u> | <u>365,662,207</u> |
| TOTAL LIABILITIES | <u>430,156,382</u> | <u>444,687,197</u> |
| TOTAL EQUITY AND LIABILITIES | <u>647,797,690</u> | <u>651,924,263</u> |
| Net asset per share attributable to owner of the Company (RM) | <u>0.36</u> | <u>0.39</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 2022 and the accompanying explanatory notes as attached to the interim financial statement.)

ADVANCECON HOLDINGS BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THIRD QUARTER ENDED 30 SEPT 2023**

| | Share Capital | Treasury Shares | Distributable Retained Profits | Attributable to Owners of the Company | Non-controlling Interest | Total Equity |
|---|--------------------|--------------------|--------------------------------|---------------------------------------|--------------------------|--------------------|
| | RM | RM | RM | RM | RM | RM |
| The Group | | | | | | |
| (Audited) | | | | | | |
| 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 expenses for the financial year | - | - | (23,358,610) | (23,358,610) | 5,056,057 | (18,302,553) |
| - Acquisition of subsidiary | - | - | - | - | 9,964,229 | 9,964,229 |
| Balance at 31.12.2022 | 114,139,592 | (3,249,343) | 81,326,531 | 192,216,780 | 15,020,286 | 207,237,066 |
| (Unaudited) | | | | | | |
| Balance at 1.1.2023 | 114,139,592 | (3,249,343) | 81,326,531 | 192,216,780 | 15,020,286 | 207,237,066 |
| Profit/ (loss) after taxation / Total comprehensive income/ (expenses) for the financial period | - | - | 86,431 | 86,431 | (2,844,069) | (2,757,638) |
| - Additional purchase of shares in a subsidiary | - | - | - | - | (6,428,139) | (6,428,139) |
| Contribution by and distribution to owners of the Company: | | | | | | |
| - Issuance of new ordinary shares | 19,774,819 | - | - | 19,774,819 | - | 19,774,819 |
| - Share issue expenses | (184,800) | - | - | (184,800) | - | (184,800) |
| Balance at 30.9.2023 | 133,729,611 | (3,249,343) | 81,412,962 | 211,893,230 | 5,748,078 | 217,641,308 |

(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 2022 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 2023

| | Cumulative Current Period Ended 30.9.2023 RM | Cumulative Comparative Period Ended 30.9.2022 RM |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (Loss) before taxation | 721,741 | (6,522,205) |
| Adjustments for: | | |
| Depreciation: | | |
| - property, plant and equipment | 31,584,949 | 39,676,851 |
| - investment properties | 437,801 | 473,869 |
| Amortisation of intangible assets | 75,000 | 2,316,243 |
| Reversal of impairment losses on property, plant and equipment | (442,430) | - |
| Reversal of impairment losses on trade receivables | (123,463) | (85,532) |
| Bad debt written off | 80,035 | - |
| Interest expense on lease liabilities | 113,485 | 61,920 |
| Interest expense | 9,747,963 | 9,508,320 |
| Share of net profit of an equity accounted associate | (162,910) | (834,600) |
| Share of net profit of an equity accounted joint venture | (119,409) | (366,751) |
| Property, plant and equipment written off | 4 | 15,891 |
| Gain arising from modification of lease agreements | (920) | (14,547) |
| Gain on disposal of property, plant and equipment | (5,347,180) | (5,916,947) |
| Gain on disposal of investment properties | - | (85,789) |
| Dividend income from short-term investments | (7,158) | (29,646) |
| Interest income | (1,337,110) | (1,034,066) |
| Operating profit before working capital changes | 35,220,398 | 37,163,011 |
| Increase in contract assets | (7,728,707) | (32,899,561) |
| (Decrease) / Increase in contract liabilities | (3,978,789) | 14,297,512 |
| Decrease / (Increase) in inventories | 4,461,192 | (2,888,766) |
| (Increase) / Decrease in trade and other receivables | (15,182,416) | 22,381,711 |
| Increase / (Decrease) in trade and other payables | 22,638,947 | (28,581,178) |
| Decrease in amount owing by an associate company | 15,626,705 | 6,225,692 |
| Decrease in amount owing to joint venture | (1,127,641) | - |
| Cash from operations | 49,929,689 | 15,698,421 |
| Interest paid | (9,861,448) | (9,570,240) |
| Income tax refund | 1,013,584 | - |
| Income tax paid | (2,746,309) | (2,611,588) |
| NET CASH FROM OPERATING ACTIVITIES | 38,335,516 | 3,516,593 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2023 (CONT'D)

| | Cumulative Current Period Ended 30.9.2023 RM | Cumulative Comparative Period Ended 30.9.2022 RM |
|--|--|--|
| CASH FLOWS (FOR) / FROM INVESTING ACTIVITIES | | |
| Interest received | 1,337,110 | 1,034,066 |
| Net cash outflow from acquisition of investment | - | (14,830,482) |
| Additional purchase of shares in a subsidiary | (6,428,139) | - |
| Dividend income from short-term investments | 7,158 | 29,647 |
| Increase in deposits pledged with licensed bank | (12,107,394) | (1,286,993) |
| Purchase of property, plant and equipment | (47,177,987) | (729,247) |
| Proceeds from disposal of property, plant and equipment | 2,741,555 | 3,631,246 |
| Proceeds from disposal of investment properties | - | 205,000 |
| Proceeds from finance lease receivables | 265,941 | 529,173 |
| Proceeds from disposal of non-current asset held for sale | 37,681,822 | - |
| Advances from related parties | - | 17,529,401 |
| Repayment to an associate | (1,512,564) | (182,940) |
| Repayment from joint venture | 38,257 | - |
| NET CASH (FOR) / FROM INVESTING ACTIVITIES | (25,154,241) | 5,928,871 |
| CASH FLOWS FOR FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | 19,774,819 | - |
| Share issue expenses | (184,800) | - |
| Repayment to an associate | - | (2,029,508) |
| Net drawdown / (repayment) of term loans | 18,742,760 | (11,953,304) |
| Net (repayment) / drawdown of bankers' acceptances | (6,568,622) | 613,515 |
| Net drawdown of invoice financing | 4,128,557 | 2,901,146 |
| Net (repayment) / drawdown of revolving credit | (4,500,000) | 6,000,000 |
| Net (repayment) / drawdown of bank factoring | (26,758,619) | 8,326,067 |
| Repayment of lease liabilities | (785,247) | (590,350) |
| Repayment of hire purchase | (16,525,213) | (23,896,987) |
| Repayment to related parties | (2,004,862) | - |
| NET CASH FOR FINANCING ACTIVITIES | (14,681,227) | (20,629,421) |
| NET DECREASE IN CASH AND CASH EQUIVALENT | (1,499,952) | (11,183,957) |
| Cash and cash equivalents at beginning of the financial period | 12,799,048 | 25,527,356 |
| CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL PERIOD | 11,299,096 | 14,343,399 |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THIRD QUARTER ENDED 30 SEPT 2023 (CONT'D)**

| | Cumulative Current Period Ended 30.9.2023 RM | Cumulative Comparative Period Ended 30.9.2022 RM |
|---|---|---|
| Cash and cash equivalent comprised of: | | |
| Deposits with licensed banks | 76,439,523 | 63,718,158 |
| Short-term investments | 241,478 | 2,175,561 |
| Cash and bank balances | 21,346,317 | 21,483,525 |
| Bank overdrafts | (10,288,699) | (9,315,687) |
| | 87,738,619 | 78,061,557 |
| Less: Deposits pledged to licensed banks | (76,439,523) | (63,718,158) |
| | 11,299,096 | 14,343,399 |

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2022 and the accompanying explanatory notes as attached to the interim financial statement.)

ADVANCECON HOLDINGS BERHAD

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2023

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 2022, 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 THIRD QUARTER ENDED 30 SEPT 2023 (CONT'D)

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2022.

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 September 2023.

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 September 2023.

A7. Debt and Equity Securities

There was 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 2023.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2023 (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;
- (c) Green Energy - involved in the development and/or operation of power generation from renewable energy, solar and other renewable energy projects;
- (d) Centralised Labour Quarter -involved in workers' dormitory/ accommodation services; and
- (e) Quarry Operation – involved in quarry operation and sale of related products.

| | 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 | 222,674,226 | 284,611 | 238,168 | 484,323 | 129,419,779 | - | 353,101,107 |
| Inter-segment revenue | 37,335,714 | - | - | - | 17,430,590 | (54,766,304) | - |
| Consolidated revenue | <u>260,009,940</u> | <u>284,611</u> | <u>238,168</u> | <u>484,323</u> | <u>146,850,369</u> | | <u>353,101,107</u> |

Represented by:

Revenue recognised at a point in time

Construction and support services:

| | | | | | | | |
|---------------------------------------|------------|---|---------|---|------------|--------------|------------|
| - sale of goods | 11,039,712 | - | - | - | - | (267,380) | 10,772,332 |
| - hiring of machinery | 36,711,303 | - | - | - | - | (33,246,934) | 3,464,369 |
| - day work revenue | 3,989,572 | - | - | - | - | - | 3,989,572 |
| Rental of centralised labour quarters | 30,650 | - | - | - | - | - | 30,650 |
| Quarry operations: | | | | | | | |
| - sale of quarry products | - | - | - | - | 78,005,198 | (9,888,452) | 68,116,746 |
| - hiring of machinery | - | - | - | - | 544,906 | 8,584 | 553,490 |
| - transport income | - | - | - | - | 1,309,107 | (218,768) | 1,090,339 |
| Solar energy: | | | | | | | |
| - operating revenue | - | - | 238,168 | - | - | - | 238,168 |

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEP 2023 (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 recognised over time</u> | | | | | | | |
| Construction and support services | | | | | | | |
| - contract revenue | 204,397,303 | - | - | - | - | - | 204,397,303 |
| Rental income from investment properties | - | 284,611 | - | - | - | - | 284,611 |
| Rental of centralised labour quarters | - | - | - | 484,323 | - | - | 484,323 |
| Quarry operations: | | | | | | | |
| - contract revenue | - | - | - | - | 12,944,503 | - | 12,944,503 |
| - sub-contract work | - | - | - | - | 54,046,655 | (7,331,954) | 46,714,701 |
| <u>Revenue from other sources</u> | | | | | | | |
| Management fee | 3,841,400 | - | - | - | - | (3,821,400) | 20,000 |
| | 260,009,940 | 284,611 | 238,168 | 484,323 | 146,850,369 | | 353,101,107 |
| Results | | | | | | | |
| Segment results | 10,336,902 | (497,361) | 101,430 | (12,072) | (683,831) | (288,467) | 8,956,601 |
| Interest income | | | | | | | 1,337,110 |
| Dividend income from short-term investments | | | | | | | 7,158 |
| Finance Cost | | | | | | | (9,861,447) |
| Share of result of an equity accounted associate | | | | | | | 162,910 |
| Share of results of equity accounted joint ventures | | | | | | | 119,409 |
| Consolidated profit before taxation | | | | | | | 721,741 |



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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2023 (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 |
| Income tax expense | | | | | | | (3,531,306) |
| Deferred Tax | | | | | | | 51,927 |
| Consolidated loss after taxation | | | | | | | <u>(2,757,638)</u> |
| Profit/ (Loss) attributable to | | | | | | | |
| Owners of the Company | | | | | | | 86,431 |
| Non-Controlling Interest | | | | | | | <u>(2,844,069)</u> |

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(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2023 (CONT'D)

A10. Significant Events after the End of the Financial Period

There was no material event subsequent to the current financial period ended 30 September 2023 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A11. Changes in the Composition of the Group

In the 1st quarter of 2023, Spring Energy Sdn. Bhd. ("SESB"), a 51% owned indirect subsidiary of the Group had completed the purchase of the remaining 3,470,000 ordinary shares of RM1.00 each in SE Satu Sdn. Bhd. ("SE SATU"), representing 49.0% of the issued and paid-up share capital of SE SATU for a cash consideration of RM4,796,205.97. The additional shares were purchased from Citaglobal Berhad (formerly known as WZ Satu Berhad).

Following the completion of this acquisition, SESB's equity interest in SE SATU has increased from 51.0% to 100%.

On 19 October 2023, the Company had incorporated an indirect wholly-owned subsidiary, namely Advancecon Development Sdn. Bhd. with an issued share capital of RM10.00 comprising 10 ordinary shares to carry out property investment, development and construction related business.

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 30.9.2023
RM

8,600,202

A14. Contingent Liabilities

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

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2023 (CONT'D)

A15. Significant Related Party Transactions

The Group had the following transactions with related parties during the financial period ended 30 September 2023

| | Unaudited 9 Months Ended 30.9.2023 |
|---|---|
| | RM |
| Transaction with Director | |
| Rent office building | 56,700 |
| Transaction with companies in which the Directors of subsidiaries have financial interest: | |
| Rent of office buildings | 286,500 |
| Sale of quarry product | 448,738 |
| Rent of access road for transporting quarry products | 12,436 |

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(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 | | |
|---|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | 30.9.2023 RM | 30.9.2022 RM | Variance % | 30.9.2023 RM | 30.9.2022 RM | Variance % |
| Revenue | 122,649,592 | 122,407,957 | 0.2% | 353,101,107 | 326,567,590 | 8.1% |
| Profit / (Loss) Before Taxation | 358,718 | (895,823) | 140.0% | 721,741 | (6,522,205) | 111.1% |
| (Loss) / Profit After Taxation | (129,620) | (2,466,380) | 94.7% | (2,757,638) | (10,413,458) | 73.5% |
| (Loss) / Profit attributable to owners of the Company | (605,067) | 660,960 | -191.5% | 86,431 | (866,787) | 110.0% |

For the current quarter under review, the Group recorded a 0.2% marginal increase in revenue compared to the preceding year's corresponding quarter. The revenue was mainly contributed by the Construction and Support Services Segment (RM 74.1 million or 60.4%) and Quarry Segment (RM 48.2 million or 39.3%). The remaining revenue was derived from the Property Investment, Green Energy and Centralised Labour Quarters Segments.

The Group reported a loss attributable to owners of RM0.6 million compared to a profit of RM0.7 million in the same quarter last year.

Construction and Support Services Segment

The division recorded a loss before taxation ("LBT") of RM 0.6 million for current financial quarter compared to profit before taxation ("PBT") of RM 5.6 million in the preceding year corresponding quarter mainly due to lower revenue generated from Support Services Segment and increased material price in this financial quarter.

Quarry Segment

The division recorded a profit attributable to owners of the Company of RM 0.9 million in this quarter compared to a loss of RM 3.1 million in the preceding year corresponding quarter. The improvement was mainly due to higher contribution on revenue and profitability from construction projects.

Green Energy Segment

The division recorded higher PBT of RM 0.09 million versus RM 0.04 million in the preceding year corresponding quarter.

Property Investment Segment

The division registered a lower LBT at RM 0.22 million versus LBT of RM 0.30 million, which included one off agent fee payment for the disposal of investment properties in the preceding year corresponding quarter. Management is actively sourcing to generate income from this segment.

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B2. Comparison with Preceding Quarter Results**

| | 3 Months Ended | | |
|--|----------------|-------------|----------|
| | 30.9.2023 | 30.6.2023 | Variance |
| Revenue | 122,649,592 | 118,426,685 | 3.6% |
| Profit before tax | 358,718 | 1,545,782 | -76.8% |
| Profit attributable to owners of the Company | (605,067) | 543,848 | -211.3% |

The Group recorded higher revenue of RM 122.6 million versus RM 118.4 million in the preceding quarter, mainly contributed by the Construction and Quarry Segment. However, profit before tax was lower compared to last quarter by 76.8% mainly due to lower revenue generated from Support Services Segment and general increase of material prices by 30% in this financial quarter.

As a result, the Group reported a loss attributable to Owners of the Company amounting to RM 0.6 million compared to a profit of RM 0.5 million in the preceding quarter.

B3. Prospects

Malaysia's gross domestic product (GDP) growth is projected between 4% to 5% in 2023. Public sector investment is expected to expand by 7% in 2023 (2022 : 5.3%), with higher capital spending by the government, amid the continued progress of large-scale infrastructure projects, such as the East Coast Rail Link (ECRL), the Light Rail Transit Line 3 (LRT3), and the Pan Borneo Highway. (Source: BNM Annual report, March 2023).

The Malaysian economy expanded by 3.3% in the third quarter of 2023. The services, construction and agriculture sectors remained supportive of growth. Despite the challenging global environment, the Malaysian economy is projected to expand by around 4% in 2023 and 4% – 5% in 2024. Growth will continue to be driven by the expansion in domestic demand, particularly in domestic-oriented sectors. Investment will be supported by further progress of multi-year infrastructure projects and the implementation of catalytic initiatives (Source: BNM, November 2023).

With the expected growth in the multi-year infrastructure projects, the Group is actively seeking for opportunities to expand its development and production businesses. As at the date of this report, total outstanding order book stands at RM396.5 million.

In the Construction business, the Group has on 10 November 2023, accepted the Letter of Acceptance from Sime Darby Property (Pagoh) Sdn Bhd for the appointment as the contractor for the proposed construction and completion of earthworks and auxiliary works for Plot B1-B7 at Industrial Park for development of Bandar Universiti Pagoh, Johor. The total contract sum is approximately RM22.8 million and the contract period would be 18 months commencing from 23 November 2023 until 22 May 2025. The Group will continue to bid for new contracts to grow its order book as well as focusing on project execution to ensure timely completion of all on-going projects.

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B3. Prospects (Cont'd)**

In the Green Energy business, the Group had 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 (“EC”) granted the Group an additional 4 year extension of the development from 21 years to 25 years. This will enable the Group to optimize its returns for the next 25 years, which is in line with the Group’s long-term strategy to grow its sustainable and recurring income. In March 2023, the Group had obtained 80% project financing support of 15 years from a financial institution for the development of LSSPV. The remaining 20% of equity portion was through the issuance of 91,975,900 Private Placement Shares in April 2023. The remaining shares under the Private Placement lapsed on 2 August 2023, marking the completion of the Private Placement.

In the Quarry business, revenue grew during the first 3 quarters of year 2023 by 33% compared to the corresponding period last year. As a result, operating financial results have continued to improve accordingly. On 25 April 2023, Spring Energy Sdn. Bhd. (“SESB”), a 51% owned indirect subsidiary of the Group, received a Letter of Acceptance (“LOA”) from China Communications Construction (ECRL) Sdn Bhd (“CCC”), appointed SESB as the contractor for the Construction and Completion of Subgrade Earthworks within KPC Depot Station and OCC Area (Section 5) which commenced on 29 April 2023 and completed in the 3rd Quarter of 2023. This project provided relatively high profitability to quarry business.

The Group will continue to exercise prudence to achieve operational efficiency for 2023. The Group will undertake necessary measures to manage the risks and take proactive steps to mitigate the adverse impacts of rising operating construction costs of raw materials, equipment and labour.

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 | |
|--------------|-------------------------------------|------------------|
| | 30.9.2023 | 30.9.2022 |
| | RM | RM |
| Income tax | 3,531,306 | 4,152,629 |
| Deferred tax | (51,927) | (261,376) |
| | 3,479,379 | 3,891,253 |

The Group’s effective tax rate (“ETR”) for the financial year is higher than statutory tax rate of 24.0% mainly due to deferred tax movement and tax permanent differences.

B6. Status of Corporate Proposals

There is no corporate proposal announced but not completed as at date of this report.

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

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 | 29,190 | (16,385) | 12,805 | Within 78 ⁽³⁾ months |
| | (a) Purchase of new construction machinery and equipment | 15,100 | 15,100 | (15,100) | - | 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 | 11,255 | (11,255) | - | 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.

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

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

B8. Utilisation of Proceeds Raised from Private Placement

The details are as set out below:

| Utilisation of Proceeds | Proposed utilisation | Actual utilisation of proceeds | Unutilised proceeds | Expected timeframe for utilisation |
|--|----------------------|--------------------------------|---------------------|--|
| | RM'000 | RM'000 | RM'000 | |
| Development of solar photovoltaic energy generating facility | 19,665 | (19,665) | - | Within 12 months from the receipt of placement funds |
| Estimated expenses for Private Placement | 110 | (110) | - | Upon completion of the Private Placement |
| TOTAL | 19,775 | (19,775) | - | |

Notes:

On 6 April 2023, the Company successfully raised RM19.78 million from the Private Placement following the listing and quotation of 91,975,900 Placement Shares at an issue price of RM0.2150 per placement share on Main Market of Bursa Securities. The Private Placement had lapsed on 2 August 2023, which marks the completion of the Private Placement.

B9. Group Borrowings and Debt Securities

| | Unaudited As at 30.9.2023 RM | Audited As at 31.12.2022 RM |
|---------------------------|------------------------------------|-----------------------------------|
| <u>Non-current</u> | | |
| Term loans | 70,751,424 | 47,801,927 |
| Hire Purchases | 15,683,797 | 23,626,034 |
| <u>Current</u> | | |
| Term loans | 26,237,575 | 31,607,312 |
| Hire Purchases | 14,281,573 | 20,631,549 |
| Bankers' acceptances | 23,433,028 | 30,001,650 |
| Invoice financing | 31,713,353 | 27,584,796 |
| Revolving credit | 13,000,000 | 17,500,000 |
| Bank overdrafts | 10,288,699 | 22,260,343 |
| Bank factoring | 7,728,912 | 34,487,531 |
| | 213,118,361 | 255,501,142 |

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

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

B10. 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").

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.

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

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

B10. Material Litigation (Cont'd)

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.

The Third Parties have filed the striking out application and the Court has originally fixed the hearing date on 5 April 2023. The hearing date was later vacated by the High Court and rescheduled to 15 June 2023, 15 August 2023 and 12 October 2023 respectively. On 12 October 2023, the Court has rescheduled the hearing date to 6 December 2023.

ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

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

B11. Dividends Declared

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

B12. Earnings / (Loss) Per Share

| | Unaudited | |
|--|----------------|-------------|
| | 9 Months Ended | |
| | 30.9.2023 | 30.9.2022 |
| Profit / (Loss) after tax attributable to the owners of the Company (RM) | 86,431 | (866,787) |
| Basic earnings per share | | |
| Weighted average number of ordinary shares | 552,671,611 | 483,374,700 |
| Basic earnings / (loss) per share (sen) ⁽¹⁾ | 0.02 | (0.18) |
| Diluted earnings per share | | |
| Weighted average number of ordinary shares | 552,671,611 | 483,374,700 |
| Diluted earnings / (loss) per share (sen) ⁽²⁾ | 0.02 | (0.18) |

Notes:

- (1) The basic earnings / (loss) per share was computed based on earnings/(loss) attributable to owners of the Company divided by the weighted average number of ordinary shares.
- (2) Diluted earnings / (loss) per ordinary share for the current financial year is calculated by dividing the profit / (loss) 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.

B13. Profit Before Taxation

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

| | Unaudited | |
|---|--------------------|--------------------|
| | Individual Quarter | Cumulative Quarter |
| | 30.9.2023 | 30.9.2023 |
| | RM | RM |
| Auditors' remuneration | 90,205 | 268,655 |
| Depreciation: | | |
| - property, plant and equipment | 9,996,490 | 31,584,949 |
| - investment properties | 144,633 | 437,801 |
| Amortisation of intangible asset | 25,000 | 75,000 |
| Directors' remuneration | 624,837 | 2,173,600 |
| Royalties and tributes | 2,280,552 | 7,367,317 |
| Interest expenses | 3,453,647 | 9,861,448 |
| Staff costs | 22,185,892 | 64,253,884 |
| Gain on disposal of property, plant and equipment | 620,221 | (5,347,180) |
| Interest income | (530,250) | (1,337,110) |
| Dividend income from short-term investments | (2,203) | (7,158) |

BY ORDER OF THE BOARD
23 November 2023