

# NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) : FUND RAISING ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") PROPOSED PRIVATE PLACEMENT

## ADVANCECON HOLDINGS BERHAD

Type	Announcement
Subject	NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) FUND RAISING
Description	ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY")  PROPOSED PRIVATE PLACEMENT

On behalf of the Board of Directors of Advancecon ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a proposed private placement of up to 20% of the total number of issued shares of Advancecon ("**Advancecon Share(s)**" or "**Share(s)**") (excluding treasury shares) to third party investor(s) to be identified later at an issue price to be determined and announced later ("**Proposed Private Placement**").

Further details of the Proposed Private Placement are set out in the attachment enclosed.

**This announcement is dated 13 January 2023.**

Please refer attachment below.

### Attachments

[Advancecon \(Proposed Private Placement\) - Announcement.pdf](#)  
269.8 kB

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### Announcement Info

Company Name	ADVANCECON HOLDINGS BERHAD
Stock Name	ADVCON
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## ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY")

### PROPOSED PRIVATE PLACEMENT

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#### 1. INTRODUCTION

On behalf of the Board of Directors of Advancecon ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a proposed private placement of up to 20% of the total number of issued shares of Advancecon ("**Advancecon Share(s)**" or "**Share(s)**") (excluding treasury shares) to third party investor(s) to be identified later at an issue price to be determined and announced later ("**Proposed Private Placement**").

For the avoidance of doubt, the Proposed Private Placement is not undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act, 2016 ("**Act**") but that the Proposed Private Placement is subject to, amongst others, the specific approval to be approved by the shareholders of Advancecon in an Extraordinary General Meeting of Advancecon ("**EGM**") to be convened.

Further details of the Proposed Private Placement are set out in the ensuing sections of this announcement.

#### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

##### 2.1 Placement size

The Proposed Private Placement entails an issuance of up to 20% of the total number of issued shares of Advancecon at an issue price to be determined and announced later.

As at 9 January 2023, being the latest practicable date of this announcement ("**LPD**"), the total issued share capital of Advancecon was RM114,139,592 comprising 492,756,000 Advancecon Shares (including 9,381,300 treasury shares). For avoidance of doubt, the Board has undertaken not to sell, cancel, transfer and/ or distribute any treasury shares until the completion of the Proposed Private Placement. Accordingly, a total of up to 96,674,940 Shares ("**Placement Share(s)**"), representing approximately 20% of the existing total number of 483,374,700 Advancecon Shares (excluding treasury shares), may be issued pursuant to the Proposed Private Placement.

##### 2.2 Basis of determining the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 10% to the 5-day volume weighted average market price ("**VWAP**") of Advancecon Shares up to and including the last trading day immediately preceding the price-fixing date, to be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement. The Board has not set any minimum issue price or minimum proceeds to be raised from the Proposed Private Placement.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price fixing dates and issue prices. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to Advancecon to procure interested investor(s) to subscribe for the Placement Shares expediently within the period as approved by Bursa Malaysia Securities Berhad ("**Bursa Securities**").

For illustrative purposes, the illustrative issue price of the Placement Shares is assumed at RM0.2260 per Placement Share, which represents a discount of approximately 10.00% to the 5-day VWAP of Advancecon Shares up to and including the LPD of RM0.2511.

## 2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the existing issued Advancecon Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

## 2.4 Listing and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities.

## 2.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

- (i) the Directors, major shareholders or chief executive of Advancecon or a holding company of Advancecon, where applicable ("**Interested Person**");
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In the event the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

## 2.6 Utilisation of proceeds

Based on the illustrative issue price of RM0.2260 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM21.85 million. The proceeds from the Proposed Private Placement are intended to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation	RM'000
Development of solar photovoltaic energy generating facility <sup>*1</sup>	Within 24 months from the receipt of placement funds	21,739
Estimated expenses for the Proposed Private Placement <sup>*2</sup>	Upon completion of the Proposed Private Placement	110
<b>Total</b>		<b>21,849</b>

**Notes:-**

<sup>\*1</sup> LSS TPG Sdn Bhd, an indirect wholly-owned subsidiary of Advancecon had on 18 August 2021 entered into a power purchase agreement ("PPA") with Tenaga Nasional Berhad to design, construct, own, operate and maintain a solar photovoltaic energy generating facility with a capacity of 26.00 megawatts located in Kuala Langat, Selangor ("Solar Power Plant"). As at the LPD, the development of the Solar Power Plant has yet to commence. The construction for the Solar Power Plant is targeted to commence in March 2023 and is expected to take up to 10 months to complete. The Solar Power Plant is expected to be commissioned in the fourth quarter of 2023.

Accordingly, the Board has earmarked part of the gross proceeds from the Proposed Private Placement to partially finance the development of the Solar Power Plant in the following manner:-

<b>Details</b>	<b>RM'000</b>	<b>%</b>
Purchase of solar panels and other related materials which includes racking equipment and components such as aluminium railings and clamps.	15,800	72.7
Interconnection works (i.e. installation of concrete poles and cabling)	39	0.2
Sub-contracting works and engineering expenses	5,700	26.2
Contingency costs (i.e. provision for fees to the relevant authorities and contingency sums set aside to cover unexpected or underestimation of costs)	200	0.9
	<b>21,739</b>	<b>100.0</b>

The Board is of the view that the Proposed Private Placement will essentially put in place the necessary financing requirements within an acceptable timeframe for the development of the Solar Power Plant Projects which has been scheduled to commence in March 2023. As highlighted above, the funding from the Proposed Private Placement will be utilised mainly for the procurement of raw material and defrayment of operating expenses in relation to the Solar Power Plant which is essential to support the smooth implementation of the Solar Power Plant.

<sup>\*2</sup> The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-

	<b>RM'000</b>
Professional fees (i.e. adviser and placement agent)	60
Regulatory fees	22
Other incidental expenses in relation to the Proposed Private Placement	28
<b>Total</b>	<b>110</b>

The estimated expenses include professional fees, regulatory fees and other incidental expenses in relation to the Proposed Private Placement. Variation in the actual expenses will be adjusted against the proceeds allocated for the development of the Solar Power Plant.

For the avoidance of doubt, the total cost of procuring and installing the solar panels as well as other related costs and expenses for the development of the Solar Power Plant is estimated to be approximately RM103.70 million. As the indicative gross proceeds to be raised from the Proposed Private Placement for the development of the Solar Power Plant is up to RM21.74 million, the said proceeds is expected to fund up to 20.96% of the total cost for the development for the Solar Power Plant. The remaining funding of 79.04% of the total cost for the development of the Solar Power Plant is expected to be funded via internally generated funds, bank borrowings and/ or future fund raising exercises to be undertaken (if required).

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any shortfall in the actual gross proceeds raised and the intended gross proceeds to be raised from the Proposed Private Placement will be adjusted accordingly to firstly fund the estimated expenses of the Proposed Private Placement, followed by the development costs of the Solar Power Plant. Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income derived from such deposits or instruments will be utilised for development costs of the Solar Power Plant as set out in Note 1 above.

### 3. FUND RAISING EXERCISES IN THE PAST 12 MONTHS

Advancecon had, on 15 October 2021 announced the private placement of up to 10% of the total number of issued shares of Advancecon ("**Private Placement I**"). As at 29 December 2021, Advancecon completed the Private Placement I and had placed out 43,943,000 Shares at RM0.2735 per Share, raising total gross proceeds of approximately RM12.02 million. The details of utilisation of proceeds from the Private Placement I are set out below:-

Details of utilisation	Expected timeframe for utilisation from receipt of funds	Proposed utilisation based on actual proceeds raised RM'000	Actual proceeds raised and utilised RM'000	Balance proceeds unutilised RM'000
Shareholders' advances to Spring Energy Resources Berhad <sup>*1</sup>	Upon completion of the Private Placement I	10,200	10,200	-
Working capital of Advancecon and its subsidiaries (" <b>Advancecon Group</b> " or the " <b>Group</b> ") <sup>*2</sup>	Within 24 months	1,776	1,776	-
Expenses for the Private Placement I	Upon completion of the Private Placement I	42	42	-
<b>Total</b>		<b>12,018</b>	<b>12,018</b>	<b>-</b>

#### Notes:-

<sup>\*1</sup> On 17 June 2021, the Company announced the acquisition of Spring Energy Resources Berhad ("**SERB**"). Upon completion of the acquisition, both Advancecon and the vendor, namely Fook Hua Holdings Sdn Bhd agreed that they shall collectively advance to SERB as shareholders' advance the total sum of up to RM20.00 million proportionately to their shareholding in SERB ("**Shareholders' Advance**") as follows:-

Company	Shareholders' Advance RM'000	%
Advancecon	10,200	51.0
Fook Hua Holdings Sdn Bhd	9,800	49.0
<b>Total</b>	<b>20,000</b>	<b>100.0</b>

The shareholders' advances were utilised for working capital requirements of SERB and its subsidiaries ("**SERB Group**") in the manner approved by the Board of Directors of SERB.

<sup>\*2</sup>

Detail of utilisation	Actual proceeds raised and utilised RM'000
Staff-related costs including, amongst others, staff salaries, wages, overtime and statutory payments such as Employees' Provident Fund and Social Security Organisation contribution	1,563
Other general administrative expenses including, amongst others, rental, utilities, office upkeep, insurance and other miscellaneous items such as audit fees, consultancy fees, professional fees and secretarial fees	213
<b>Total</b>	<b>1,776</b>

Save for the Private Placement I, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this announcement.

#### **4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT**

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising to address the Group's needs as set out in **Section 2.6** of this announcement as the Proposed Private Placement:-

- (i) enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;
- (ii) increases the size and strength of the Company's shareholders' funds; and
- (iii) enables the Company to raise funds in an expeditious manner, compared to pro-rated issuance such as a rights issue, which usually requires a longer timeframe for implementation, also without certainty that the Company will be able to meet its fundraising objectives as the level of funds raised will depend on the subscription rate by the entitled shareholders and/ or renouncee(s).

#### **5. INDUSTRY OUTLOOK AND OVERVIEW AND FUTURE PROSPECTS OF THE GROUP**

##### **5.1 Overview and outlook of the Malaysian economy**

Malaysia's economy expanded by 6.9% in the first half of 2022 underpinned by favourable momentum in the domestic economy and steady expansion in the external sector, as well as continued improvement of the labour market conditions. The strong performance is expected to sustain, backed by an increase in private consumption and business activities as the economy transitions to endemicity phase of COVID-19 with the surging tourist arrivals. Furthermore, the growth momentum was attributed to the Government's consistent policy support, particularly with the implementation of initiatives under the Budget 2022 since the start of the year, as well as the spillover effects from the Budget 2021 measures coupled with various assistance and stimulus packages.

In tandem with continued implementation of development programmes and projects, the economy is expected to expand further in the second half of the year. The growth prospects have been supported by the resumption of economic and social activities and improvement in international travel activities following the relaxation of COVID-19 restrictions regionally. With better prospects as indicated by the Leading Index, the economy is anticipated to gain its growth momentum in the second half of the year attributed to strong domestic demand as the country transitions into endemicity. For the full year of 2022, the economic growth is expected to register a higher growth within the range of 6.5% – 7%. The domestic economy remains resilient and is forecast to expand between 4% – 5% in 2023 driven by the domestic demand.

Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

Global growth is projected to moderate in 2022, after experiencing a strong economic expansion, both in advanced economies as well as emerging markets and developing economies (EMDEs), in 2021. In addition, escalating inflationary pressure as a result of high commodity prices is projected to prompt most central banks to tighten their monetary policy. Meanwhile, a slowdown in China's economic activities, supply chain disruptions and prolonged geopolitical tensions are anticipated to soften global growth in 2023.

Malaysia's economic recovery continued its strong momentum in the first half of 2022 amid the global headwinds. The GDP grew at 6.9% during the period supported by the implementation of Budget 2022 measures, transition to the endemicity and reopening of international borders. The economy is expected to grow at 6.1% in the second half of 2022 in line with strong domestic pent-up demand from private sector, remarkable tourism activities and outstanding trade performance. Furthermore, robust performance in services and manufacturing sectors as well as improvement in the labour market conditions are envisaged to contribute significantly to the economic growth. Overall, the nation's economy is expected to grow between 6.5% – 7% in 2022.

In line with the softening global economic outlook, Malaysia's economy is expected to moderate in 2023. Strong economic fundamentals, further improvement in employment prospects, sustained consumer and business confidence as well as continuous policy support for vulnerable households are projected to stimulate domestic demand. Steady external demand, especially for electrical & electronic (E&E) products and major commodities, is anticipated to continue driving the exports, thus maintaining a surplus in current account of the balance of payments (BOP).

On the supply side, all economic sectors are projected to expand, with the services and manufacturing sectors remain as the major contributors to the economy. The services sector will benefit from an increase in domestic demand and tourism activities. The manufacturing sector is expected to be driven by global demand for E&E and rubberbased products coupled with an expansion in domestic industries such as food and construction related products. Meanwhile, the construction sector is projected to improve with the acceleration of existing infrastructure projects and higher private investment that would increase demand for more commercial and residential buildings. Thus, the nation's GDP is forecast to expand between 4% – 5% in 2023.

*(Source: Economic Outlook 2023, Ministry of Finance Malaysia)*

## **5.2 Overview and outlook of the construction industry in Malaysia**

The construction sector contracted by 2.1% in the first half of 2022, mainly due to lower construction activities in civil engineering and residential buildings subsectors. In contrast, non-residential buildings and specialised construction activities subsectors registered a growth during the same period, in line with expansion in business activities, albeit rising prices of construction-related materials. The sector is expected to turn around in the second half with an expansion rate of 6.9%, supported by positive growth in all subsectors. Improvement in private investment and robust domestic economic activities are anticipated to increase demand for more industrial buildings. In addition, the acceleration of major infrastructure projects will continue to drive the sector's performance.

The development of residential property is expected to remain active supported by continuous implementation of measures under the Budget 2022 including a total government guarantee of up to RM2 billion to banks via Skim Jaminan Kredit Perumahan (SJKP) as well as housing projects for low income group with an allocation of RM1.5 billion. In 2022, the sector is projected to rebound by 2.3%.

The construction sector is forecast to expand by 4.7% in 2023 following a better performance in all subsectors. Civil engineering subsector is anticipated to rebound buoyed by implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3).

In addition, the approved investment projects in the manufacturing sector are anticipated to come onstream and subsequently creating a greater demand for industrial buildings. Hence, the non-residential buildings subsector is projected to expand further. Meanwhile, the residential buildings subsector is expected to grow steadily supported by more construction of affordable houses, in line with the strategy under the 12MP. In addition, incentive offered by the Government to encourage home ownership through the i-MILIKI programme is expected to spur demand for residential buildings while addressing the property overhang issue.

*(Source: Economic Outlook 2023, Ministry of Finance Malaysia)*

### **5.3 Overview and outlook of the quarry industry in Malaysia**

The mining sector registered its first positive growth since 2017 (0.7%; 2020: -10.6%). The turnaround was mainly attributed to the gradual recovery in global oil demand and new output from the PETRONAS Floating Liquefied Natural Gas DUA (PFLNG2) facility located in offshore East Malaysia, which commenced operations in February 2021. These factors had more than offset the impact of facility closures such as the Gumusut-Kakap field for maintenance purposes, and production disruptions in the other mining sub-sector due to restrictions from containment measures.

The mining sector is projected to register higher growth. This reflects the continued increase in crude oil and natural gas production due to the operationalisation of new facilities such as the Pegaga gas project in Block SK320 located in offshore East Malaysia, which commenced operations in March 2022. Growth will also be supported by higher production in existing oil and gas facilities including the PFLNG2 facility and following the completion of several maintenance works. The end of OPEC+ oil output cut agreement by the second half of the year is also expected to result in higher production.

*(Source: Economic and Monetary Review 2021, Bank Negara Malaysia)*

### **5.4 Overview and outlook of the renewable energy industry in Malaysia**

Renewable energy sources such as wind and solar emit little to no greenhouse gases and are readily available and in most cases cheaper than coal, oil or gas (IPCC, 2022). The National Renewable Energy Policy and Action Plan was launched in 2009 to spearhead renewable energy uptake in Malaysia. This is further strengthened by the National Energy Policy 2021-2040 launched in 2022, which aims to continue meeting the nation's growing energy demands, while ensuring a cleaner and more resilient economy to achieve a net zero pathway. Based on the energy mix in Malaysia, hydropower is currently the highest contributor to the total renewable energy use. However, large hydropower could be affected as river sources deplete as well as siltation and sedimentation increase. Therefore, changing climate and weather patterns must be taken into consideration when planning for the use of hydropower, to ensure the effectiveness and success of projects like the Bakun hydroelectric power plant as well as other hydropower plants.

On the other hand, solar power has the potential to contribute more to the energy mix. Being one of the main suppliers of solar-photovoltaic panels in the world, Malaysia's local uptake still needs to be further encouraged. With the introduction of the Net-Energy Metering ("**NEM**") system, excess energy produced from solar panels fixed on private or commercial buildings can be sold back to the grid based on the Feed-In-Tariff (FIT) and Large-Scale Solar (LSS) systems, creating a new economic market ecosystem.



Furthermore, the sustainable waste management industry could offer a dynamic and profitable revenue stream to the economy, as well as a potential alternative energy source through biomass and biogas utilisation. Malaysia currently exports some of its waste products to other countries for this purpose, for example, used cooking oils exported to Singapore to be further processed into aircraft fuel; and palm oil mill effluents (POME) to Japan for biomass energy production. The advancements in the waste management industry, including recycling, upcycling and biofuel generation, as well as the push toward a circular economy and waste-to-wealth economy, will open new revenue streams for local businesses and create new job opportunities. Moving forward, the Government through relevant agencies with the support of public and private research institutions, is looking into other sources of potential alternative energy such as wind, thermal and wave.

Reducing energy consumption through energy efficiency measures is one of the most cost-effective options utilised by the Government in addressing the economic impacts of the rising fuel prices. The National Energy Efficiency Action Plan (NEEAP) outlines strategies to encourage efficient use of electricity and promote energy-efficient products among industries and consumers. Meanwhile, the Government Green Procurement (GGP) initiative has encouraged the utilisation of energy-efficient products as well as other green products and services in government buildings since 2013. In 2021, the GGP was valued at approximately RM616.8 million, involving 27 ministries.

*(Source: Economic Outlook 2023, Ministry of Finance Malaysia)*

Energy transition will remain as one of the key priorities as more corporates as well as utility players continue expanding their RE exposure.

Malaysia has a target of RE to grow to 31% of generation mix by 2025 and 40% by 2035. At the moment, RE contributes to 18% of Malaysia's energy mix, dominated by hydropower technologies, which account for 86 per cent of renewable capacity. By way of illustration, the installed capacity for RE is presently at 7.995MW. By the year 2035, the projected installed capacity for RE is approximately 18,000MW – which is more than double the present installed capacity.

The Ministry of Energy and Natural Resources ("**KeTSA**") has stated that with the above RE targets, the carbon emission intensity from the power sector is set to be reduced by 45% in 2030, and by 60% in 2035. This will be consistent with Malaysia's targets under the Paris Agreement. Solar energy has been identified as being the RE with the highest potential in sunny Malaysia. With that in mind, Malaysia intends to introduce battery energy storage systems with a total capacity of 500MW from 2030 to 2034. These battery energy storage systems will enable the storing of excess energy generated by solar panels for later use.

The announcement by Prime Minister Datuk Seri Ismail Sabri Yaakob that Malaysia will not construct any new coal power plants while delivering the 12th Malaysia Plan in parliament would also pave the way for non-hydropower renewables to meet an increasing power demand amid retiring thermal power plants. The introduced Green Electricity Tariff (GET) programme in November 2021 to replace the current myGreen+ scheme will also spur the growth of renewables as it gains interest from multinational companies. The main objective is to enable consumers to reduce their carbon emissions by purchasing renewable energy, with the target of 4,500GWh of renewable electricity to be distributed for the GET programme. TNB, HSBC, Nestle Malaysia and CIMB Bank are among the companies that showed interest towards the scheme and additionally, the Energy Commission, SEDA and MyPower Corp, all governmental bodies, have committed to purchase all their electricity from the GET programme.

On the corporate front, Nestle Malaysia for example, has stated that it would fully transition to RE across all its operations in Malaysia as of Jan 1, 2022, allowing it to reduce emissions by 75,000 tonnes of carbon dioxide equivalent every year.

TNB has stated that it planned to invest RM22 billion in 2022-2024 under the Incentive-Based Regulation (IBR) framework to continue developing the grid of the future into a key enabler of the energy transition, supporting the country's goal to shift from using fuel to 31 per cent of RE by 2025.

KeTSA Minister Datuk Seri Takiyuddin Hassan also expressed his ministry's commitment in pursuing its agenda to ensure that the country's natural resources are safeguarded, and managed sustainably and responsibly for future generations. Takiyuddin said that in line with the agenda to address the country's climate change, KeTSA is also committed to increasing electricity generation from renewable energy sources through the Electricity Supply Generation Development Plan 2021-2039.

*(Source: Media release entitled "Power sector boosted by better demand" dated 16 December 2021, TNB's website)*

## **5.5 Future prospects of the Group**

Advancecon Group is mainly involved in the construction, property investment and civil engineering business. Through its subsidiaries, the Group is also involved in the renewable energy and quarry operations business. The construction and support services segment represents Advancecon Group's main revenue contributor, contributing approximately 99.0% of total revenue in both the financial year ended ("FYE") 31 December 2020 and FYE 31 December 2021.

Based on the Group's latest unaudited financial results for the financial period ending 30 September 2022, the Group has an outstanding order book of RM511.4 million, which provides earnings visibility for the next 24 months. Moving forward, the Group will continue to enhance its development and production services and assets by focusing on executing its current order book, tendering for more projects to replenish its current order book, and continue to review its cost control strategies to further improve operational efficiency within the Group.

As mentioned in **Section 2.6** of this announcement, the gross proceeds to be raised from the Proposed Private Placement are intended to finance the development costs of the Solar Power Plant and the estimated expenses in relation to the Proposed Private Placement, which is in line with the Company's strategy to expand and focus in its green energy segment pursuant to the diversification of the Group's principal activities to the renewable energy business in 2020. In the FYE 31 December 2021, the Group had completed the installation of three rooftop solar photovoltaic (PV) projects for Onn Corp Resources (M) Sdn Bhd, Prominent Image Sdn Bhd and Jemco Sdn Bhd which allowed the Group to commence the PPA programme under the Net Energy Metering (NEM) scheme for a period of twenty one years. The development of the Solar Power Plant will be able to increase the Group's asset ownership under the renewable energy spectrum and strengthen the Group's concession-based recurring income for a long-term sustainability.

Given that the Government of Malaysia ("**GoM**") has a target to increase the share of renewable energy in Malaysia's generation mix to 31% by 2025, and a projection of 40% by 2035, renewable energy will continue to be one of the key focus areas for Malaysia with continued commitment by the GoM via the Energy Commission Malaysia ("**EC**") to develop renewable energy projects through various schemes such as Net Energy Metering (NEM), Large Scale Solar (LSS), Self Consumption (SELCO) and Non-Solar Renewable Energy Projects. Additionally, the allocation of RM2.0 billion by the GoM for two (2) years up to 2022 as continuation of the Green Technology Financing Scheme could support Malaysia towards achieving the renewable energy target of 31% by 2025.

Premised on the above, and barring any unforeseen circumstances, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture to address the Group's financing needs. The Board will continue to review the performance and progress of the Group's operating segments and financial performance, and to introduce measures to further improve its financial position while minimising its operating costs, where required.

(Source: Management of Advancecon)

## 6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

### 6.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	No. of Shares	RM
Issued share capital as at the LPD	492,756,000	114,139,592
Less: treasury shares at cost in the open market	(9,381,300)	(3,249,343)
<b>Issued share capital as at the LPD (excluding treasury shares)</b>	<b>483,374,700</b>	<b>110,890,249</b>
Placement Shares to be issued pursuant to the Proposed Private Placement	96,674,940	21,848,536 <sup>*1</sup>
<b>Enlarged issued share capital (excluding treasury shares)</b>	<b>580,049,640</b>	<b>132,738,785</b>

**Note:-**

<sup>\*1</sup> Computed based on the illustrative issue price of RM0.2260 per Placement Share.

### 6.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of the Group as at 31 December 2021, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

	Audited as at 31 December 2021 RM'000	After the Proposed Private Placement RM'000
Share capital	114,139	135,988 <sup>*1</sup>
Treasury shares	(3,249)	(3,249)
Retained profits	104,685	104,575 <sup>*2</sup>
<b>Shareholder's equity/ NA</b>	<b>215,575</b>	<b>237,314</b>
Non-controlling interest	-	-
<b>Total Equity</b>	<b>215,575</b>	<b>237,314</b>
Number of Shares in issue (excluding treasury shares) ('000)	483,374	580,049
NA per Share (RM)	0.45	0.41
Total borrowings (RM'000)	126,120	126,120
Gearing level (times)	0.59	0.53

**Notes:-**

<sup>\*1</sup> Assuming 96,674,940 Placement Shares are issued at the illustrative issue price of RM0.2260 per Placement Share.

<sup>\*2</sup> After deducting the estimated expenses of RM110,000 in relation to the Proposed Private Placement.

### 6.3 Substantial shareholding structure

For information purpose, the Proposed Private Placement may have a dilutive effect on the Company's existing shareholders' shareholdings.

The Proposed Private Placement is expected to enlarge the share capital of the Company and increase its shareholders' funds. The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement <sup>*1</sup>			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% <sup>*2</sup>	No. of Shares	% <sup>*2</sup>	No. of Shares	% <sup>*3</sup>	No. of Shares	% <sup>*3</sup>
Dato' Phum Ang Kia	97,563,750	20.18	150,000 <sup>*4</sup>	0.03	97,563,750	16.82	150,000 <sup>*4</sup>	0.03
Lim Swee Chai	55,381,250	11.46	-	-	55,381,250	9.55	-	-
Pham Soon Kok	28,413,250	5.88	-	-	28,413,250	4.90	-	-

**Notes:-**

<sup>\*1</sup> Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).

<sup>\*2</sup> Based on the total issued Shares of 483,374,700 (excluding treasury shares).

<sup>\*3</sup> Based on the enlarged issued Shares of 580,049,640 after the Proposed Private Placement (excluding treasury shares).

<sup>\*4</sup> Indirect Interest by virtue of his children pursuant to Section 59(11)(c) of the Companies Act, 2016.

#### **6.4 Earnings and earnings per share**

The Proposed Private Placement is not expected to have any material impact on the earnings of Advancecon Group for the financial year ending 31 December 2023. However, the earnings per share of Advancecon Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of Advancecon Shares in issue arising from the Proposed Private Placement.

The Proposed Private Placement is expected to contribute positively to the future earnings of Advancecon Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement as set out in **Section 2.6** of this announcement are realised.

#### **6.5 Convertible securities**

As at the LPD, the Company does not have any outstanding convertible securities.

### **7. APPROVALS REQUIRED**

The Proposed Private Placement is subject to the following approvals:-

- (i) Bursa Securities, for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities;
- (ii) the shareholders of Advancecon, for the Proposed Private Placement at an EGM to be convened; and
- (iii) any other relevant authority, if required.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

### **8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM**

None of the Directors, major shareholders, chief executive of Advancecon and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

### **9. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Private Placement, including the rationale and justification and the effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company and its shareholders.

### **10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed by the first quarter of 2023.

### **11. APPLICATION TO THE AUTHORITIES**

The application to the relevant authorities shall be made within 2 months from the date of this announcement.

**12. ADVISER AND PLACEMENT AGENT**

UOBKH has been appointed as the Adviser and Placement Agent for the Proposed Private Placement.

**This announcement is dated 13 January 2023.**