

Circular/Notice to Shareholders

ADVANCECON HOLDINGS BERHAD

Subject CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF ADVANCECON HOLDINGS BERHAD AND ITS SUBSIDIARIES TO INCLUDE RENEWABLE ENERGY BUSINESS AND RELATED ACTIVITIES

Please refer attachment below.

Attachments

[Advcon - Circular_Prop Diversification_final.pdf](#)
480.9 kB

Announcement Info

Company Name	ADVANCECON HOLDINGS BERHAD
Stock Name	ADVCON
Date Announced	15 Jul 2020
Category	Document Submission
Reference Number	DCS-15072020-00023

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Circular.

ADVANCECON

ADVANCECON HOLDINGS BERHAD

(Registration No. 199701011469 (426965-M))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") AND ITS SUBSIDIARIES TO INCLUDE RENEWABLE ENERGY BUSINESS AND RELATED ACTIVITIES (I.E. THE PROVISION OF SUPPORT SERVICES TO THE RENEWABLE ENERGY BUSINESS SUCH AS ASSET MANAGEMENT, ENGINEERING SUPPORT, INSPECTION AND REPAIR SERVICES AS WELL AS OTHER RANGE OF SERVICES RELATING TO THE SUPPORTING OF RENEWABLE ASSETS)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of Advancecon ("**EGM**") to be held at Green III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.30 a.m., or immediately following the conclusion or adjournment of the 23rd Annual General Meeting ("**AGM**") of Advancecon scheduled to be held at the same venue and on the same day at 10.00 a.m., whichever is later, together with the Proxy Form are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the Proxy Form must be deposited at the Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd, situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, at least 48 hours before the time set for the EGM or any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Tuesday, 28 July 2020 at 10.30 a.m.

Date and time of the EGM : Thursday, 30 July 2020 at 10.30 a.m., or immediately following the conclusion or adjournment of the 23rd AGM

This Circular is dated 15 July 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act, 2016, and any amendments made thereto from time to time
"Advancecon" or our "Company"	:	Advancecon Holdings Berhad (Registration No. 199701011469 (426965-M))
"Advancecon Group" or our "Group"	:	Advancecon and its subsidiaries, collectively
"Advancecon Share(s)" or our "Share(s)"	:	Ordinary share(s) in Advancecon
"Advancecon Solar"	:	Advancecon Solar Sdn Bhd (Registration No. 201901010325 (1319653-H)), a wholly-owned subsidiary of our Company
"AGM"	:	Annual General Meeting
"Board"	:	Our Board of Directors
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"COVID-19"	:	Coronavirus disease
"Director(s)"	:	The director(s) of our Company and shall have the meaning given in Section 2(1) of the Capital Markets And Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- i. a director of our Company, subsidiary or holding company; or ii. a chief executive of our Company, subsidiary or holding company
"EGM"	:	Extraordinary General Meeting
"EPCC"	:	Engineering, Procuring, Construction and Commissioning
"FiT"	:	Feed-in tariff
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"kWp"	:	Kilowatts peak
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	1 July 2020, being the latest practicable date prior to the printing and despatch of this Circular
"LSS"	:	Large Scale Solar
"MCO"	:	Movement Control Order which was implemented to contain the spread of the COVID-19 pandemic in Malaysia

DEFINITIONS (CONT'D)

"MOU"	:	Memorandum of Understanding
"MOU 1"	:	Advancecon Solar, had on 18 February 2020 entered into a MOU with Oon Corp to develop rooftop solar panel under the NEM scheme on the rooftop of Oon Corp's Premises
"MOU 2"	:	Advancecon Solar, had on 18 February 2020 entered into a MOU with Solarvest Energy to jointly cooperate for the purpose of undertaking solar energy projects in Malaysia under the Commercial and Industrial (C&I) category
"MOU 3"	:	Advancecon Solar, had on 29 June 2020 entered into a MOU with YHI to develop rooftop solar PV system under the NEM scheme on the rooftop of YHI's premises
"MOU 4"	:	Advancecon Solar, had on 7 July 2020 entered into a MOU with Peritone to develop rooftop solar PV system for self-consumption on the rooftop of Peritone's premises
"NA"	:	Net assets
"NEM"	:	Net energy metering
"Oon Corp"	:	Oon Corp Resources (M) Sdn Bhd (Registration No. 198501002534 (134976-H))
"Oon Corp's Premises"	:	2 of Oon Corp's premises located in Senawang Industrial Estate, in the state of Seremban, at the following addresses:- i. Lot 59, Lorong Senawang 3/2, Senawang Industrial Estate, 70450 Seremban, Negeri Sembilan; and ii. Lot 10, Lorong Bunga Tanjung 1/1, Senawang Industrial Estate, 70450 Seremban, Negeri Sembilan
"PAT/ (LAT)"	:	Profit/ (Loss) after taxation
"PBT/ (LBT)"	:	Profit/ (Loss) before taxation
"Peritone"	:	Peritone Health Sdn Bhd (Registration No. 201401003339 (1079413-W))
"Peritone's Premises"	:	Peritone's Premises located in Lot 12 Phase 4 Kulim Hi Tech Park, Kulim, Kedah
"Proposed Diversification"	:	Proposed diversification of the existing principal activities of our Group to include renewable energy business and related activities (i.e. the provision of support services to the renewable energy business such as asset management, engineering support, inspection and repair services as well as other range of services relating to the supporting of renewable assets)
"PV"	:	Photovoltaic
"RM" and "sen"	:	Ringgit Malaysia and cent, respectively
"RPVI"	:	Registered solar PV Investor, which is governed by SEDA
"RPVSP"	:	Registered PV Service Provider, which is governed by SEDA

DEFINITIONS (CONT'D)

"SARE"	:	Supply Agreement with Renewable Energy
"SEDA"	:	Sustainable Energy Development Authority of Malaysia
"Solarvest Energy"	:	Solarvest Energy Sdn Bhd (Registration No. 201601023621 (1194560-T))
"Solarvest Group"	:	Solarvest Holdings Berhad (Registration No. 201701033607 (1247778-U)) and its subsidiaries, collectively
"TNB"	:	Tenaga Nasional Berhad (Registration No. 199001009294 (200866-W))
"UOBKH" or the "Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
"YHI"	:	YHI Manufacturing (Malaysia) Sdn Bhd (Registration No. 200401026362 (664870-X))
"YHI's Premises"	:	YHI's Premises located in 3533, Jalan P.B.R 28, Kawasan Perindustrian Bukit Rambai, 75850 Melaka

All references to "our Company" in this Circular are to Advancecon and all references to "our Group" are to our Company and subsidiary collectively. All references to "we", "us", "our" and "ourselves" are to our Company, and where the context requires otherwise, shall include our subsidiary.

All references to "you" and "your" in this Circular are to the shareholders of our Company.

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole cent, for ease of reference.

Words incorporating the singular shall, where applicable include the plural and vice versa. Words incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--

TABLE OF CONTENTS

LETTER TO SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSED DIVERSIFICATION CONTAINING:-	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED DIVERSIFICATION	2
3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED DIVERSIFICATION	8
4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS OF THE PROPOSED DIVERSIFICATION	9
5. RISK FACTORS	14
6. FINANCIAL EFFECTS OF THE PROPOSED DIVERSIFICATION	16
7. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSED DIVERSIFICATION	16
8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM	16
9. ESTIMATED TIMEFRAME FOR COMPLETION	16
10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION	17
11. DIRECTORS' STATEMENT AND RECOMMENDATION	17
12. EGM	17
13. FURTHER INFORMATION	17
APPENDIX	
I. FURTHER INFORMATION	18
NOTICE OF EGM	ENCLOSED
PROXY FORM	ENCLOSED

EXECUTIVE SUMMARY

All capitalised terms used in this Executive Summary have the same meaning as those provided in the "Definitions" section and in this Circular, except where the context otherwise requires or where otherwise defined in this Executive Summary.

This Executive Summary highlights only the salient information of the Proposed Diversification. Shareholders of our Company are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Diversification before voting at our forthcoming EGM.

Key information	Description	Reference to the Circular
Details of the Proposed Diversification	<ul style="list-style-type: none">➤ As at the LPD, our Group is a specialist provider of earthworks and civil engineering services, primarily for township developments and infrastructure projects in Malaysia. Our Group undertakes a wide range of earthworks services encompass excavation and fill, rock-blasting, erosion and sediment control plan, as well as compaction and surface finishing process. In addition, our Group also undertakes civil engineering services such as road works, drainage works, bridge construction, water supply works and sewerage works. Furthermore, our Group is also involved in the provision of support services such as sale of construction materials, hiring of machinery and ad hoc general construction services/ daywork as well as property investment.➤ Our Group has recorded steady increase in terms of the revenue generated for the past 3 financial years up to the FYE 31 December 2019, out of which more than 90% of the revenue is derived from our earthworks and civil engineering services. In addition, our Group is highly dependent on the aforesaid construction services given that the aforesaid business segment has been our Group's main revenue contributor since our inception in 1997.➤ As part of our Group's strategy to expand our earnings base, our Group has identified renewable energy business and related activities such as solar energy as a viable business to venture into. As at the date of this Circular, our Group has entered into 4 MOUs in relation to solar energy services with different parties, further details of which are set out in Section 2 of this Circular. <p><u>Key management personnel</u></p> <ul style="list-style-type: none">➤ Premise on the renewable energy sector that our Group intends to venture into, our Group has identified existing key personnel of our Group, namely Teh Heng Wee, the Chief Financial Officer and Phum Boon Lim, the Project Manager of our Group, as the key individuals to lead and oversee the operations pertaining to our Group's solar energy activities as well as other renewable energy activities (if any) moving forward.➤ Teh Heng Wee will be responsible for overseeing long term business expansion, strategic planning and finance-related matters of our Group's renewable energy activities such as project financing and budgeting.	Section 2

Key information	Description	Reference to the Circular
Rationale and justification for the Proposed Diversification	<ul style="list-style-type: none"> ➤ On the other hand, Phum Boon Lim will be responsible for managing the overall resources and operations of our Group's renewable energy business activities as well as dealing with the respective subcontractors who are involved in the renewable energy projects by leveraging on his experience in project management. ➤ Moving forward, upon successful implementation of the Proposed Diversification and as part of our Group's succession plan, our Board intends to appoint and recruit additional employees and technical personnel to assist and support our Group in our renewable energy business activities. ➤ Based on the foregoing, our Board believes that, by leveraging on the expertise of the aforesaid key management personnel and with the appointment of additional technical personnel when required, our Group has the capacity, capability and resources to diversify into renewable energy business related activities. 	Section 3
	<ul style="list-style-type: none"> ➤ At present, our Group is primarily involved in the provision of earthworks and civil engineering services, in which our revenue is substantially derived from such activities. ➤ In order to mitigate the reliance on our existing activities as well as to diversify and expand our earnings base moving forward, our Group has been continuously seeking opportunities to diversify into other viable businesses. In line with our strategy, our Group has identified renewable energy business and related activities such as solar energy as a viable business to venture into. 	
	<ul style="list-style-type: none"> ➤ In view of the growing demand within the renewable energy sector, the Proposed Diversification is expected to broaden and expand our Group's earnings base, subsequently providing us with better financial footing in the long run and our management remains cautiously optimistic of the long term prospects associated with the expansion of our Group to include solar energy as part of our business activities. 	
	<ul style="list-style-type: none"> ➤ Premised on the above, our Group is of the view that the Proposed Diversification (into the business of renewable energy) provides our Group with additional stable stream of revenue and cash flow upon the implementation of the renewable energy projects. The Proposed Diversification is expected to augur well in the overall structure of our Group's existing business (i.e. construction and support services as well as property investment) moving forward and at the same time diversify our Group's existing business portfolios. 	
Prospects of the Proposed Diversification	<ul style="list-style-type: none"> ➤ In view that the renewable energy sector in Malaysia has been steadily growing and given the Government's support in providing an economically viable platform for investments in the power and energy sector (as highlighted in Section 4.2 of this Circular), our Board expects the renewable energy business to continue its robust, resilient and sustainable growth. Upon the completion of the Proposed Diversification, barring any unforeseen circumstances, our enlarged Group would be able to diversify our operations and interests in the renewable energy sector allowing us to secure/ generate a larger balance sheet as well as a more diversified asset base. 	Section 4.3

Key information	Description	Reference to the Circular
	<ul style="list-style-type: none"> ➤ In addition, the Proposed Diversification is expected to expand our earnings base by providing additional stable stream of revenue and cash flow upon the implementation of the renewable energy projects, given that currently the main revenue contributor to our Group is the earthworks and civil engineering services business segment. ➤ Premised on the above as well as the outlook of the renewable energy industry as set out in Section 4.2 of this Circular, our Board believes that the Proposed Diversification may enhance our Group's future prospects as it represents an opportunity for our Group to obtain additional stream of revenue and income in the future financial years. 	
Risk Factors	<ul style="list-style-type: none"> i. Business diversification risk ii. Licensing and registration risks iii. Dependency on key management personnel iv. Political, economic and regulatory risks v. Implications of COVID-19 on our Group's existing and new business 	Section 5
Approvals required and inter-conditional of the Proposed Diversification	<ul style="list-style-type: none"> ➤ The Proposed Diversification is subject to the following approvals:- <ul style="list-style-type: none"> i. The shareholders of our Company at our forthcoming EGM; and ii. Any other relevant authority and/ or third parties, if required. ➤ The Proposed Diversification is not conditional upon any other proposals undertaken or to be undertaken by our Company. 	Section 7
Interests of directors, major shareholders and/ or persons connected to them	<ul style="list-style-type: none"> ➤ None of the Directors and/ or major shareholders of our Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Diversification. 	Section 8
Estimated timeframe for completion and tentative timetable for implementation	<ul style="list-style-type: none"> ➤ Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining the approval from the shareholders of our Company at our forthcoming EGM. 	Section 9
Directors' statement and recommendation	<ul style="list-style-type: none"> ➤ Our Board recommends that you vote IN FAVOUR of the resolution pertaining to the Proposed Diversification, which will be tabled at our forthcoming EGM, the details of which are set out in the cover page of this Circular, or the Notice of EGM as enclosed. 	Section 11

ADVANCECON

ADVANCECON HOLDINGS BERHAD

(Registration No. 199701011469 (426965-M))

(Incorporated in Malaysia)

Registered Office

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

15 July 2020

Board of Directors

Yeoh Chong Keat (*Independent Non-Executive Chairman*)
Dato' Phum Ang Kia (*Executive Director/ Group Chief Executive Officer*)
Lim Swee Chai (*Executive Director/ Deputy Group Chief Executive Officer*)
Ir. Yeo An Thai (*Executive Director/ Chief Operating Officer*)
Tung Kai Hung (*Executive Director*)
Mohd Zaky Bin Othman (*Independent Non-Executive Director*)
Fathi Ridzuan Bin Ahmad Fauzi (*Independent Non-Executive Director*)

To: Shareholders of our Company

Dear Sir/ Madam,

PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 9 June 2020, UOBKH had on behalf of our Board, announced that we proposed to undertake a proposed diversification of our Group's existing principal activities to include renewable energy business and related activities such as solar energy as a viable business to venture into.

Details of the Proposed Diversification are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF OUR COMPANY WITH THE RELEVANT INFORMATION ON THE PROPOSED DIVERSIFICATION AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS OF OUR COMPANY FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS OF OUR COMPANY ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

As at the LPD, our Group is a specialist provider of earthworks and civil engineering services, primarily for township developments and infrastructure projects in Malaysia. Our Group undertakes a wide range of earthworks services encompass excavation and fill, rock-blasting, erosion and sediment control plan, as well as compaction and surface finishing process. In addition, our Group also undertakes civil engineering services such as road works, drainage works, bridge construction, water supply works and sewerage works. Furthermore, our Group is also involved in the provision of support services such as sale of construction materials, hiring of machinery and ad hoc general construction services/ daywork as well as property investment.

The key financial performance of our Group for the past 3 financial years up to the FYE 31 December 2019 and the 3-month FPE 31 March 2020 are as follows:-

	<----- Audited ----->			<----Unaudited---->
	FYE 31 December 2017 RM'000	FYE 31 December 2018 RM'000	FYE 31 December 2019 RM'000	3-month FPE 31 March 2020 RM'000
Revenue	265,989	272,860	302,337	66,319
PAT	18,463	10,618	10,825	2,184

In addition, a summary of our Group's revenue based on the existing operating segments for the past 3 financial years up to the FYE 31 December 2019 and the 3-month FPE 31 March 2020 are as follows:-

	<----- Audited ----->						<----Unaudited---->	
	FYE 31 December 2017		FYE 31 December 2018		FYE 31 December 2019		3-month FPE 31 March 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<u>Earthworks & civil engineering services</u>								
Contract revenue	245,435	92.27	249,256	91.35	276,527	91.46	61,842	93.25
<u>Support services</u>								
Sale of goods	19,028	7.15	19,474	7.14	22,988	7.60	3,733	5.63
Hiring of machinery	535	0.20	1,272	0.47	1,334	0.44	420	0.63
Day work revenue	704	0.26	2,513	0.92	845	0.28	177	0.27
<u>Property investment</u>								
Rental income	281	0.12	344	0.12	642	0.22	147	0.22
<u>Others</u>								
Cabin living quarters rental	6	- ^{*1}	1	- ^{*1}	1	- ^{*1}	-	-

Note:-

^{*1} Negligible.

Based on the table above, our Group has recorded steady increase in terms of the revenue generated for the past 3 financial years up to the FYE 31 December 2019, out of which more than 90% of the revenue is derived from our earthworks and civil engineering services. In addition, our Group is highly dependent on the aforesaid construction services given that the aforesaid business segment has been our Group's main revenue contributor since our inception in 1997.

As part of our Group's strategy to expand our earnings base, our Group has identified renewable energy business and related activities such as solar energy as a viable business to venture into. As at the date of this Circular, our Group has entered into 4 MOUs in relation to solar energy services with different parties, further details of which are set out in the ensuing paragraphs:-

MOU 1

Our Company's wholly-owned subsidiary, namely Advancecon Solar had on 18 February 2020 entered into MOU 1 to develop rooftop solar panel under the NEM scheme on the rooftop of 2 of Oon Corp's premises located in Senawang Industrial Estate, in the state of Seremban with the adoption, execution and implementation of the SARE. For information purposes, Advancecon Solar is principally involved in renewable energy activities, in particular solar renewable energy projects. As a RPVI, Advancecon Solar is able to carry out EPCC projects by themselves or award such projects to a RPVSP that is registered with SEDA. On the other hand, Oon Corp is a company engaged in the manufacturing of rubber products (i.e. disposable latex examination gloves).

The salient terms of the aforesaid MOU 1 are as follows:-

- i. Advancecon Solar shall fulfil the role of engineering, procurement and construction of a 586.08 kWp solar PV system that will be installed on Oon Corp's Premises;
- ii. Advancecon Solar shall invest and own the solar PV system throughout the terms of the SARE;
- iii. Advancecon Solar shall fulfil the role of operations and maintenance of the solar PV system throughout the terms of the SARE;
- iv. Oon Corp shall give consent and allow Advancecon Solar to install the solar PV system on Oon Corp's Premises during the terms of the SARE period; and
- v. Ownership, operations and maintenance of the solar PV system shall be transferred to Oon Corp after the expiration of the terms of the SARE agreement.

On 8 July 2020, Advancecon Solar had received approval from TNB for the NEM Assessment Study for a total of 777.04kWp. The approved total capacity represented an additional 190.96kWp stated in the abovementioned MOU 1. The increase was mainly due to changes made in the solar system design to achieve maximum attainable capacity for Oon Corp's Premises. For clarification purposes, an application to obtain NEM quota from SEDA will be submitted followed by the signing of the SARE once the NEM quota is obtained, all of which is expected to be executed by end July 2020. In any event, our Company shall make the necessary announcement in accordance with the Listing Requirements of Bursa Securities as and when the SARE is materialised.

MOU 2

On 18 February 2020, Advancecon Solar had entered into MOU 2 to jointly cooperate for the purpose of undertaking solar energy projects in Malaysia under the Commercial and Industrial (C&I) category ("**the Project(s)**"). For information purposes, Solarvest Energy was incorporated in Malaysia as a private company limited by shares and it is a wholly-owned subsidiary of Atlantic Blue Sdn Bhd, which in turn is a wholly-owned subsidiary of Solarvest Group.

Solarvest Holdings Berhad was incorporated in Malaysia on 20 September 2017 under the Act as a public limited company. Solarvest Group was listed on the ACE Market of Bursa Securities on 26 November 2019. Solarvest Group is involved in, amongst others, the provision of turnkey solar EPCC services for residential, commercial and industrial properties. This business segment utilizes the solar PV system to generate electricity for client's own consumption and/or for selling to companies licensed by Energy Commission to distribute electricity through the FiT mechanism or NEM mechanism.

The MOU 2 expressed the intention of Advancecon Solar and Solarvest Energy to jointly cooperate for the purpose of the Project(s) whereby Advancecon Solar wishes to engage Solarvest Energy as the exclusive EPCC contractor for the Project(s) and likewise, Solarvest Energy is willing to act as the EPCC contractor for the Project(s). For avoidance of doubt, Solarvest Energy is a RPVSP registered with SEDA which allows it to carry out EPCC services for a RPVI (i.e. Advancecon Solar).

The salient terms of the aforesaid MOU 2 are as follows:-

- i. Advancecon Solar and Solarvest Energy agree to use their best endeavor to assist and cooperate with each other towards successful implementation and execution of the Project(s), including participation in bidding for the Project(s) (if necessary);
- ii. The detailed scope of work and responsibilities between Advancecon Solar and Solarvest Energy shall be further defined in a separate definitive agreement in due course for each of the Project(s) to be executed by them;
- iii. Advancecon Solar and Solarvest Energy shall utilise their resources and experiences to establish joint ventures (if necessary) for each of the Project(s) to be undertaken by them;
- iv. Advancecon Solar and Solarvest Energy agree to be responsible for and shall bear its own costs and expenses of any kind committed or incurred in the performance of the MOU 2 to the date of termination thereof; and
- v. the MOU 2 shall enter into force from the date of signing by Advancecon Solar and Solarvest Energy and shall remain valid until Advancecon Solar and Solarvest Energy agree to mutually terminate the MOU 2 in writing.

MOU 3

On 29 June 2020, Advancecon Solar had entered into MOU 3 to develop rooftop solar PV system under the NEM scheme on the rooftop of YHI's premises located in Kawasan Perindustrian Bukit Rambai, in the state of Malacca with the adoption, execution and implementation of the SARE between YHI and Advancecon Solar with TNB. For information purposes, YHI is a company principally involved in the manufacturing of automobile aluminium wheels.

The salient terms of the aforesaid MOU 3 are as follows:-

- i. Advancecon Solar shall fulfil the role of engineering, procurement and construction of a 2,663.28kWp solar PV system that will be installed on YHI's Premises;
- ii. Advancecon Solar shall invest and own the solar PV system throughout the terms of the SARE agreement;
- iii. Advancecon Solar shall fulfil the role of operations and maintenance of the solar PV system throughout the terms of the SARE agreement;
- iv. YHI shall give consent and allow Advancecon Solar to install the solar PV system on YHI's Premises during the terms of the SARE agreement period; and
- v. Ownership, operations and maintenance of the solar PV system shall be transferred to YHI after the expiration of the terms of the SARE agreement.

For clarification purposes, Advancecon Solar and YHI are in the midst of discussing the terms of the SARE, which is expected to be executed by end of September 2020. In any event, our Company shall make the necessary announcement in accordance with the Listing Requirements of Bursa Securities as and when the SARE is materialised.

MOU 4

On 7 July 2020, Advancecon Solar had entered into MOU 4 to develop rooftop solar PV system for self-consumption on the rooftop of Peritone's premises located in Kulim Hi Tech Park, Kulim, Kedah with the adoption, execution and implementation of the power purchase agreement and lease agreement between Peritone and Advancecon Solar. For information purposes, Peritone is a company principally involved in manufacturing and sale of pharmaceutical products and solutions.

The salient terms of the aforesaid MOU 4 are as follows:-

- i. Advancecon Solar shall fulfil the role of engineering, procurement and construction of a 461.12kWp solar PV system that will be installed on Peritone's Premises;
- ii. Advancecon Solar shall invest and own the solar PV system throughout the terms of the power purchase agreement and lease agreement;
- iii. Advancecon Solar shall fulfil the role of operations and maintenance of the solar PV system throughout the terms of the power purchase agreement and lease agreement;
- iv. YHI shall give consent and allow Advancecon Solar to install the solar PV system on Peritone's Premises during the terms of the power purchase agreement and lease agreement period; and
- v. Ownership, operations and maintenance of the solar PV system shall be transferred to Peritone after the expiration of the terms of the power purchase agreement and lease agreement.

For clarification purposes, Advancecon Solar and Peritone are in the midst of discussing the terms of the power purchase agreement and lease agreement, which is expected to be executed by end of October 2020. In any event, our Company shall make the necessary announcement in accordance with the Listing Requirements of Bursa Securities as and when the power purchase agreement and lease agreement are materialised.

As at the date of this Circular, save for the MOUs highlighted above, Advancecon Solar has not entered into any form of agreement in relation to solar energy projects/ services.

Based on the above, our Board anticipates that, barring any unforeseen circumstances, our Group's new business activities in the renewable energy sector may contribute 25% or more of the net profits of our Group and/ or result in a diversion of more than 25% of the net assets of our Group towards the aforesaid new business activities moving forward. Furthermore, our Group will continue to identify and secure additional solar energy projects resulting in further expansion of this business segment in the long term. Accordingly, our Board proposes to seek the approval from the shareholders of our Company for the Proposed Diversification pursuant to Paragraph 10.13 of the Listing Requirements at our forthcoming EGM.

Notwithstanding the Proposed Diversification, our Board intends to continue with our Group's existing principal activities in the same manner and our Board will review our Group's business operations from time to time with the intention to further improve our Group's financial performance. For information purposes, as at the FYE 31 December 2019, our Group's order book stood at approximately RM763.0 million with earnings visibility for at least 24 months.

A summary of our Group's key ongoing projects involving the provision of earthworks and civil engineering services for infrastructure and property development sectors are set out below:-

Project details	Commencement/ Expected completion date	Contract value RM' million
Construction and completion of civil works for Section 7 - Assam Jawa Interchange to Tanjung Karang Interchange (Part 1 of 2)	June 2018/ December 2020	370.07
Construction and completion of civil works for West Coast Expressway (WCE) Interchange (from Section 1 - Banting Interchange to South Klang Valley Expressway (SKVE) Interchange)	December 2016/ January 2021	239.81
Construction and completion of earthworks and other related works for development of Phase 2 (R2), at Bandar Bukit Raja 2, Mukim Kapar, District of Klang, Selangor Darul Ehsan	January 2020/ April 2021	21.27
Upper Rajang Development Agency (URDA), Package 2: Road Infrastructure Projects In Pelagus/ Baleh Proposed New Road For RH. Undi/ RH. Seli/ RH. Mamut/ RH. Al, Antawau, SG. Bena (Phase 1)	October 2019/ October 2021	38.67
Upper Rajang Development Agency (URDA), Package 2: Road Infrastructure Projects In Pelagus/ Baleh Proposed New Road From Baleh Bridge/ RH. Belaja, NG. Benin / SK. NG. Pelagus/ Pelagus Resort (Phase 1 - Section 2)	October 2019/ March 2022	49.38
Construction and completion of site clearing, earthworks, retaining structure, main drain and associated infrastructure works for Cadangan Pembangunan Perumahan Dan Perniagaan Di Atas PT 47384 Dan PT 47385, Ladang Bangi, Mukim Semenyih, Daerah Hulu Langat, Selangor Darul Ehsan (Setia Alamsari)	August 2019/ May 2022	83.91

Based on the table above, our Group is involved in several major infrastructure projects involving earthworks, civil engineering works and road works as well as projects in the property development sector such as West Coast Expressway (WCE), Upper Rajang Development Authority (URDA), Bandar Bukit Raja 2 and Setia Alamsari (by S P Setia Berhad).

Key management personnel

Premise on the renewable energy sector that our Group intends to venture into, our Group has identified existing key personnel of our Group, namely Teh Heng Wee, the Chief Financial Officer and Phum Boon Lim, the Project Manager of our Group, as the key individuals to lead and oversee the operations pertaining to our Group's solar energy activities as well as other renewable energy activities (if any) moving forward.

Teh Heng Wee will be responsible for overseeing long term business expansion, strategic planning and finance-related matters of our Group's renewable energy activities such as project financing and budgeting. On the other hand, Phum Boon Lim will be responsible for managing the overall resources and operations of our Group's renewable energy business activities as well as dealing with the respective subcontractors who are involved in the renewable energy projects by leveraging on his experience in project management.

For the avoidance of doubt, Teh Heng Wee's involvement in the renewable energy business activities will not affect the discharge of his duty as the Chief Financial Officer of our Group. It will be an additional role to be undertaken by him and he will be supported by a separate set of working group that focuses on the operational matters (such as project execution) of the renewable energy business activities.

Further details of the qualification and experience of the key management personnel in charge of the renewable energy business activities are set out below:-

- i. **Teh Heng Wee** (Male), a Malaysian aged 40, is the Chief Financial Officer of our Group since 2015.

He graduated with a Bachelor of Accounting & Financial Management with Honours Degree from the University of Sheffield, United Kingdom in 2002. He has been a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom since 2010 and a member of the Malaya Institute of Accountants since 2014.

He has approximately 18 years of working experience in finance related operations. He began his career as an accounts assistant with Bina Goodyear Berhad in 2002 where he was responsible for financial reporting and accounting as well as corporate finance related matters. In 2009, he left Bina Goodyear Berhad as finance manager and joined Crest Builder Holding Berhad as a risk manager where he was responsible for corporate finance related matters until 2010.

In 2010, he left Crest Builder Holding Berhad and joined our Group as financial controller where he was responsible for our Group's financial management, taxation, financial accounting and reporting as well as financial operations. He was subsequently promoted to his current role, the Chief Financial Officer of our Group in 2015.

Teh Heng Wee does not have any family relationship with any director and/ or major shareholder of our Group.

- ii. **Phum Boon Lim** (Male), a Malaysian aged 30, is the Project Manager in the Project Department: Infrastructure and Highway Division of our Group since 2015.

He graduated with Bachelor of Science in Quantity Surveying from University of Salford, Manchester, United Kingdom in 2013 and subsequently obtained his Master in Business Administration from SEGi University Malaysia in 2018.

Upon graduation, he joined EK Build Sdn Bhd from 2013 to 2015 as Assistant Project Manager. Subsequently, he left EK Build Sdn Bhd in December 2015 and joined our Group as the Contracts Manager in the Contracts Department where he was mainly responsible for reviewing and assessing invitation of the tender document issued by the potential client(s) and to prepare and verify pre-qualifications and tender documents to ensure completeness and timeliness of the submissions. In 2018, he transferred to his current role and where he is mainly responsible to manage, plan and oversee project implementation of our Group.

Phum Boon Lim is the son of Dato' Phum Ang Kia, who is a director and major shareholder of our Group.

Notwithstanding the fact that the aforesaid key management personnel does not possess any prior experience in the solar/ renewable energy business, their extensive experience within the construction industry is relevant and beneficial towards the expansion of our Group's business into renewable energy. In addition, Phum Boon Lim's experience in project management within the construction industry is similar to the project management within the solar energy industry. At this juncture, our Group does not intend to further recruit any new individuals to undertake the solar energy business, given that the skill sets of our existing employees in the construction industry can be easily adapted to the energy sector. Nevertheless, we will appoint external consultants and service providers with the relevant renewable energy experience, as and when it is required, for the purpose of assisting and supporting our Group in terms of the technicality aspect pertaining to these businesses.

Moving forward, upon successful implementation of the Proposed Diversification and as part of our Group's succession plan, our Board intends to appoint and recruit additional employees and technical personnel to assist and support our Group in our renewable energy business activities. In line with complementing the present management team and the expansion of the renewable energy business segment in the future, our Board may also consider undertaking a more comprehensive role in the implementation of our solar energy projects by recruiting the qualified skilled workers and obtaining the required specialised equipment for the purpose of undertaking the EPCC services of such projects in-house. For avoidance of doubt, Teh Heng Wee and Phum Boon Lim will continue to spearhead the renewable energy business with the support of an enlarged in-house team in the future.

Based on the foregoing, our Board believes that, by leveraging on the expertise of the aforesaid key management personnel and with the appointment of additional technical personnel when required, our Group has the capacity, capability and resources to diversify into renewable energy business related activities.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED DIVERSIFICATION

At present, our Group is primarily involved in the provision of earthworks and civil engineering services, in which our revenue is substantially derived from such activities.

In order to mitigate the reliance on our existing activities as well as to diversify and expand our earnings base moving forward, our Group has been continuously seeking opportunities to diversify into other viable businesses. In line with our strategy, our Group has identified renewable energy business and related activities such as solar energy as a viable business to venture into, as further elaborated below.

As highlighted in **Section 4.2** of this Circular, solar energy has been in the forefront of energy development in many developed countries and a potential source of energy to developing countries like Malaysia. The Malaysian government is keen to develop solar energy as one of the significant sources of energy in the country. With TNB proposing an internal restructuring of our generation, transmission and retail divisions – which is expected to be completed in the third quarter of 2020 – the increasing liberalisation is set to improve competition and grow investments in the solar PV sector.

(Source: News article entitled "Malaysia's solar sector on the rise", 2 October 2019, <https://theaseanpost.com/>)

In view of the growing demand within the renewable energy sector, the Proposed Diversification is expected to broaden and expand our Group's earnings base, subsequently providing us with better financial footing in the long run and our management remains cautiously optimistic of the long term prospects associated with the expansion of our Group to include solar energy as part of our business activities.

Given that our Group has no prior experience within the renewable energy sector, it is our intention to undertake the Proposed Diversification so as to ensure we are able to expand and diversify our existing business to take advantage of the prospects related to the solar energy industry. We may face competition from local and international competitors which may be capable of offering similar services. They may compete with us in terms of pricing, technology/ solutions offered and service quality. As highlighted in **Section 2** of this Circular, we have identified Teh Heng Wee and Phum Boon Lim to spearhead our Group's renewable energy business activities. Despite the lack of existing experience in the solar/ renewable energy business, our internal team's extensive experience within the construction industry and project management are transferable skills that are relevant and beneficial towards the expansion of our Group's business into renewable energy.

Our Group does not intend to further recruit any new individuals for our solar energy business in the immediate term as we intend to maintain our existing employees at this juncture given that their skills and abilities and within the construction industry can be easily adapted to cater to the renewable energy sector. Nevertheless, in the event feasibility studies are required to be undertaken or technical matters pertaining to the solar energy sector requiring an expert's opinion, we will appoint external consultants to assist and support our Group.

In the longer run, our Board may also consider undertaking a more comprehensive role in the implementation of our solar energy projects by recruiting the qualified skilled workers and obtaining the required specialised equipment for the purpose of undertaking the EPCC services of such projects in-house, as part of our Group's effort to limit the risk of dependency on external expertise to undertake solar energy projects.

For information purposes, one of the key barriers to entry to solar energy business is the economic barrier (i.e. high initial capital cost coupled with difficulties in securing financing for sizeable solar projects). The initial capital cost of solar energy projects such as the construction of solar PV system (where Advancecon Solar as a RPVI is required to invest and own the solar PV system throughout the duration of each of its solar energy projects) is relatively high when compared to conventional sources of energy. Further, the lack of familiarity and understanding of renewable energy among financial institutions leads to low participation of the financiers where the financial institutions may demand a premium in lending rates for financing renewable energy projects.

Notwithstanding the foregoing, based on our Group's past experience in planning, coordinating, executing and procuring financing for our construction projects as well as with the financial backing from our Group, we are confident that Advancecon Solar has the ability to generate adequate internal funds and/ or secure credit facilities to finance the initial capital cost/ working capital of our solar project(s) moving forward. Further as highlighted above, our internal team's extensive experience within the construction industry and project management are transferable skills which will be beneficial in managing the project costs and to ensure the solar projects can be implemented within the prescribed timeframe.

Premised on the above, our Group is of the view that the Proposed Diversification (into the business of renewable energy) provides our Group with additional stable stream of revenue and cash flow upon the implementation of the renewable energy projects. The Proposed Diversification is expected to augur well in the overall structure of our Group's existing business (i.e. construction and support services as well as property investment) moving forward and at the same time diversify our Group's existing business portfolios.

Barring any unforeseen circumstances, our Board believes that the Proposed Diversification will potentially contribute positively to our Group's future earnings. Notwithstanding the above, upon completion of the Proposed Diversification, our Group's existing business would remain and continue as part of the core business of our Group.

4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS OF THE PROPOSED DIVERSIFICATION

4.1. Overview and outlook of the Malaysian economy

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020, which was the lowest growth since the third quarter of 2009 of -1.1%, reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the MCO in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, electrical and electronics, as well as selected industries in the primary and consumer clusters in the manufacturing sector. Sectors which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, construction activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the electrical and electronics manufacturing subsector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail subsectors, and a temporary halt in ongoing investments.

Domestic demand registered a modest growth of 3.7% in the first quarter of 2020 (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. The subdued investment activity was mainly attributable to the containment measures undertaken by authorities both globally and domestically. Domestic demand was also affected by weaker consumer sentiments and business confidence, given the heightened uncertainty surrounding COVID-19. In addition, net exports performance was also a large drag to growth during the quarter.

Nonetheless, growth was supported by continued expansion in private and public consumption. During the first quarter, private consumption growth moderated to 6.7% (4Q 2019: 8.1%). In January and February, retail and financing data indicated continued strength in consumption spending growth. The MCO in the second half of March affected spending to some extent, but mainly for big-ticket and leisure-related items such as car purchases and recreational services. Amid soft labour market conditions, stimulus measures such as bringing forward the Bantuan Sara Hidup disbursement from the second quarter to March, and the cut in the Overnight Policy Rate particularly in January provided important support to spending. The availability of online delivery platforms also cushioned the impact of movement restrictions. Public consumption expanded at a faster pace of 5.0% (4Q 2019: 1.3%), supported by higher spending on both emoluments and supplies and services.

Gross fixed capital formation registered a larger contraction of 4.6% (4Q 2019: -0.7%), weighed by lower capital spending from both the private and public sectors. This reflected weaker global demand conditions and disruptions to supply chains, which led to slower progress in capital spending. Furthermore, ongoing investment projects were temporarily halted during the MCO. By type of assets, the weakness was broad-based, as investment in structures as well as machinery and equipment declined by 4.0% (4Q 2019: 0.1%) and 6.2% (4Q 2019: -2.6%), respectively.

Private investment growth registered its first contraction of -2.3%, since the fourth quarter of 2010 (4Q 2019: 4.3%), as subdued external conditions and heightened uncertainty affected business sentiments and investment intentions. In addition, the MCO had resulted in some disruption to ongoing construction projects and delivery of machinery and equipment. Public investment recorded a larger decline of 11.3% (4Q 2019: -8.0%). This was due to a larger contraction in capital spending by both general government and public corporations during the quarter.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, Bank Negara Malaysia)

Against a highly challenging global economic outlook, Malaysia's Gross Domestic Product (GDP) growth is projected to be between -2.0 to 0.5% in 2020. The domestic economy will be impacted by the necessary global and domestic actions taken to contain the COVID-19 outbreak. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the MCO, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms.

Beyond the MCO period, reduced social and recreational activities until the pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

Given the significant headwinds to growth arising from COVID-19, the Government and Bank Negara Malaysia have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic. Two economic stimulus packages amounting to RM250 billion were introduced to provide immediate relief to affected households and businesses. These packages also include loan guarantees and an automatic 6-month moratorium on loan repayments for individuals and SMEs. The economic stimulus measures were complemented by two consecutive Overnight Policy Rate (OPR) reductions early this year and measures to provide additional liquidity in the banking system.

Private consumption is expected to be dampened by weak labour market conditions, mobility restrictions and subdued sentiments. Nonetheless, policy measures introduced in the two economic stimulus packages, including cash transfers to vulnerable households, flexibility to withdraw from Employees Provident Fund (EPF) savings and the moratorium on loan repayments will increase disposable income and improve cash flow for households. In addition to supporting household spending, these broad-based measures will facilitate a gradual recovery in private consumption as labour market conditions eventually stabilise following the projected improvement in global and domestic economic activities.

Domestic growth prospects are expected to improve towards the end of the year, in line with the projected recovery in global demand and amid continued support from policy measures. Recovering external demand will lift growth in the export-oriented sectors. Consumer sentiments are also expected to gradually improve following the easing of travel restrictions and resumption of tourism activities as risks from the pandemic subside. In addition, the anticipated recovery from supply disruptions in the commodities sector and higher public sector expenditure will support the gradual improvement in the Malaysian economy in the latter part of the year. Public sector spending will be underpinned by the continuation of large-scale transport-related projects by public corporations and the implementation of more small-scale projects worth RM4 billion by the Federal Government.

Overall risks to the domestic growth outlook are tilted to the downside, mainly due to the risk of a prolonged and wider spread of COVID-19 and its effects on the global and domestic economy. Domestic growth also remains susceptible to a recurrence of commodities supply shocks and continued low commodity prices which could pose additional risks to production in the commodities sector, exports and income growth. In addition, heightened financial market volatility due to ongoing external uncertainties may lead to tighter domestic financial market conditions. The baseline growth projection could, however, be lifted by a stronger-than-expected impact from the various stimulus measures by the Federal Government and additional measures implemented by several state governments.

Headline inflation is forecasted to average within the range of -1.5 to 0.5% in 2020, mainly reflecting significantly lower global oil and commodity prices. Without the direct downward impact from lower global oil prices, underlying inflation, as measured by core inflation, is projected to remain positive, averaging between 0.8 to 1.3%. This reflects subdued demand pressures, expectations for a negative output gap this year, as well as weak labour market conditions.

(Source: Executive Summary, Economic and Monetary Review 2019, Bank Negara Malaysia)

4.2. Overview and outlook of the renewable energy sector in Malaysia

Energy efficiency and renewable energy are the main pillars of the energy transition, and together they can provide over 90% of the energy-related carbon emissions reduction that is required, by using technologies that are safe, reliable, affordable and widely available. As one of the fastest developing regions in the world, the countries of South East Asia could see a 40% rise in regional primary energy demand up to 2040, according to the International Energy Agency. To meet this sizeable increase in demand, The Association of South East Asian Nations (ASEAN) countries are rapidly scaling up their generation capacity with large renewable projects making it well positioned to become a renewable energy hub.

A 2019 report published by the global auditing firm, KPMG entitled "*The Renewable Energy Transition*" states that there are still about 70 million people in ASEAN without access to reliable electricity supply, which has presented opportunities for these governments to tap into the region's vast renewable energy resources. In the past, the high cost of producing renewable energy discouraged governments from tapping this resource. However, with increasing public awareness of sustainable energy and a newfound openness to pay higher rates for clean energy, ASEAN governments are being motivated to invest more state funds into renewable energy projects. ASEAN member states are now focused on increasing their share of renewable energy in their energy mix as part of their sustainable energy growth and climate change commitments. As a region, ASEAN has also set a target for member countries to increase the component of renewable energy in the ASEAN energy mix to 23% by 2025, up from 9% in 2014. These targets are becoming more achievable with declining production costs and technological innovations such as better solar power efficiency and floating solar panels.

Malaysia harbours a wealth of resources capable of generating renewable energy. In 2019, the country taps into about 2%, which the Government targets to increase to 20% by the year 2025. The key objective is to transform our current energy mix into one that comprises more renewable energy sources, not only for the continuity of supply but for the pressing environmental concerns that come with a dependency on fossil fuels. With the threat of climate change and fossil fuels being a finite resource, new ways of generating and supplying energy are needed to secure a sustainable future for the global energy ecosystem. For Malaysia, the energy transition is already underway, and it is focused on expanding the renewable energy capacity in the national energy mix and improving energy efficiency.

Technology advancements in recent years have led to the steady decline in the overall cost of wind and solar energy production, making renewable energy an increasingly viable option for public and private sector decision makers. In line with the government's target to achieve 20% renewable energy in the capacity mix, the Energy Commission is implementing renewable energy related programmes such as LSS, NEM and Self Consumption for solar installations. The current opportunities are in the solar industry. Malaysia wants to develop a skilled workforce in solar PV installation and services. In Malaysia, the new solar average capacity factor is at 17%, compared to 14% previously because of more efficient and cost-effective technologies.

Malaysia's gas component makes up about 35% of the total energy mix in 2018 with coal holding steady at 57% in the coming years. The remaining percentage is currently contributed by a relatively smaller share of renewable energy sources, which needs to be increased in the coming years. While certain conventional fuels such as coal and gas will be retained in the future energy mix, the task at hand is to expand the renewable energy capacity in the national energy mix as well as improving energy efficiency and to see a much larger contribution from renewable energy sources. The main ones that show potential are solar, hydro, biomass, biogas, and geothermal in which many listed companies have diversified into renewable energy business namely solar, mini-hydro and biogas to take advantage of earning concession revenue income from the FiT system in Malaysia.

The Energy Commission, being Malaysia's energy regulatory authority works closely with SEDA to develop a renewable energy transformation roadmap up to 2035, where it intends to explore other types of renewable energy and the potential capacity Malaysia can achieve. Besides, solar energy, the Commission also licenses biogas, biomass and mini hydro projects in the country. In 2019, Malaysia have generated 393G watt-hour (Wh) of energy from LSS out of the national capacity of 24,132 megawatt (MW).

Malaysia has set its goal to reach 6,000MW of total installed capacity or 20% coming from renewable energy by 2025. To commit to the adoption of renewable energy on a global scale, Malaysia has aligned its targets with the United Nations Framework Convention on Climate Change (UNFCCC) 21st Conference of Parties (COP21). This aims at cutting down emission intensity by 35 percent to 45 percent based on 2005 GDP, by the year 2030.

(Source: Volume 18 & 19, 2019, Energy Commission Malaysia)

In the race to increase the nation's renewable energy mix from 2% to 20% by 2030, the Ministry is targeting commercial and industrial buildings to go solar and be early adopters of the revised NEM scheme.

(Source: Press article entitled "Malaysia can generate more electricity if all roofs use solar panels, says Yeo", 14 May 2019, <https://www.thestar.com.my>)

According to renowned economist Jomo Kwame Sundaram, the country should move aggressively to embrace renewable energy, singling out PV solar energy and palm oil-based biodiesel as ways forward. Further, in accordance with official statistics, Malaysia is currently the number one exporter of PV solar panels to the US, which could be used extensively to spur renewable energy trends locally.

(Source: Press article entitled "Weak oil price amid Covid-19 pandemic an invitation for Malaysia to reinvent its economy, say experts", 11 May 2020, <https://www.malaymail.com>)

4.3. Prospects of the Proposed Diversification

As highlighted in the previous sections of this Circular, our Group is primarily engaged in earthworks and civil engineering services, being our Group's main revenue contributor.

In view that the renewable energy sector in Malaysia has been steadily growing and given the Government's support in providing an economically viable platform for investments in the power and energy sector (as highlighted in **Section 4.2** of this Circular), our Board expects the renewable energy business to continue its robust, resilient and sustainable growth. Upon the completion of the Proposed Diversification, barring any unforeseen circumstances, our enlarged Group would be able to diversify our operations and interests in the renewable energy sector allowing us to secure/generate a larger balance sheet as well as a more diversified asset base.

In addition, the Proposed Diversification is expected to expand our earnings base by providing additional stable stream of revenue and cash flow upon the implementation of the renewable energy projects, given that currently the main revenue contributor to our Group is the earthworks and civil engineering services business segment.

Moving forward, our Group may also in the future embark on additional viable ventures into the renewable energy sector through organic approaches or otherwise, including but not limited to, strategic businesses/ investments, joint ventures, collaborative arrangements, business agreements, and/ or mergers and acquisitions of suitable businesses/ investments in the renewable energy sector such as solar energy subject to applicable compliance/ rules required under the Listing Requirements and other relevant acts or authorities applicable at the material times.

Notwithstanding the above, our Group will undertake feasibility studies to provide risk-reward assessment on the viability of such organic/ inorganic growth strategies prior to implementing such strategies.

Premised on the above as well as the outlook of the renewable energy industry as set out in **Section 4.2** of this Circular, our Board believes that the Proposed Diversification may enhance our Group's future prospects as it represents an opportunity for our Group to obtain additional stream of revenue and income in the future financial years.

(Source: Our management)

5. RISK FACTORS

The potential risks pertaining to the Proposed Diversification that may have an impact on our Group, which may not be exhaustive are as follows:-

5.1. Business diversification risk

Pursuant to the Proposed Diversification, our Group's business is now subject to risks inherent in the renewable energy industry. These include but not limited to, adverse changes in supply and demand conditions, outbreaks of diseases, fire or other natural disasters, adverse climate conditions, downturns in the global, regional and/ or national economies, changes in law and tax regulations, cost of equipments, availability of technical expertise, availability of financing and the existence of other alternatives in the renewable energy industry.

There can be no assurance that our Group may be able to successfully mitigate the various risks inherent in the renewable energy industry, and if unable to do so, the business operation and financial performance of our Group may be adversely affected. Nevertheless, our Group seeks to limit these risks, through, inter alia, conduct a periodic review of our business operations as well as implement prudent financial management to improve efficiency and ensure proper due diligence are implemented during the period between planning, construction and eventual delivery of renewable energy.

5.2. Licensing and registration risks

In order to operate our Group's renewable energy business (i.e. solar energy), our Group is required to obtain and hold valid approvals, permits and licenses such as the RPVI certificate issued by SEDA and other regulatory authorities. Our Group must comply with the restrictions and conditions imposed by the relevant authorities in order to maintain such approvals, permits and licenses. The approvals, permits and licenses may be suspended or cancelled if our Group fails to comply with the applicable requirements or any required conditions.

In the event that our Group fails to retain any of the required licenses or registrations, or obtain renewals thereof, in a timely manner or at all, our Group will not be able to carry out EPCC projects on our own or award such projects to a RPVSP that is registered with SEDA, and in turn, the renewable energy business and financial performance of our enlarged Group may be adversely affected. Notwithstanding the above, our Group seeks to limit these risks through the implementation of strict compliance procedures for any of our business operations.

5.3. Dependency on key management personnel

Moving forward, our Group's success in the renewable energy business (i.e. solar energy) is largely dependent on the skills, experience, competency and continued efforts of our Group's key management personnel, as well as our Group's ability to attract more qualified personnel who have relevant industry experience. The loss of any key management personnel without timely replacement or our Group's inability to attract and retain other qualified personnel may adversely affect our Group's new business operations and hence, our revenue and profitability.

Recognising the importance of the key management personnel, our Group will continuously adopt appropriate measures to attract and retain them by offering, amongst others, competitive remuneration packages and ongoing training and development programmes. Our Company will strive to retain qualified experienced personnel who are essential to our Group's succession plan to ensure continuity and competency in the management team.

5.4. Political, economic and regulatory risks

With our participation in renewable energy business and related activities, our business, prospects, financial condition and level of profitability are now subject, to a certain extent, the developments in the economic, political and regulatory environment of Malaysia. Such risks include economic uncertainties, changes in rules and regulations particularly those governing the environmental impact or sustainability issues, trade policy, unfavourable monetary and fiscal policy, changes in political leadership and changes in tax laws.

There can be no assurance that any adverse development in the economic, political and regulatory environment in Malaysia will not have any material adverse effect on the business operations and financial performance of our Group. Notwithstanding that, our Group will constantly keep abreast with the political, economic and regulatory developments through various media, events and/ or seminars, and may also engage in discussion or meeting with the relevant stakeholders to evaluate, introduce and/ or undertake measures with the aim of mitigating impact of the aforementioned risks.

5.5. Implications of COVID-19 on our Group's existing and new business

The recent outbreak of COVID-19 has negatively impacted economic conditions globally. As part of its efforts to tackle the COVID-19 pandemic, the Malaysian government announced that all government and private premises except for those involved in essential services are to remain closed during the period that the MCO takes effect. Given that our Group's principal activities (i.e. provision of construction services) are not within the business of providing essential services, our Group's operations has been temporarily suspended throughout the MCO period. As such, it was mandatory for our Group to temporarily cease our operations for the ongoing projects, thereby resulting in possible delays to the implementation and completion of our ongoing projects. Notwithstanding the above, our Group has resumed operations and the construction activities for our projects with effect from 4 May 2020 onwards where the conditional MCO took effect.

Further, the renewable energy sector such as solar energy is also inevitably affected by this pandemic, as a result of global supply constraints for PV modules and cells which will cause inevitable delay to the completion of renewable energy projects. The extent of the impact of COVID-19 on our Group's renewable energy business (which will contribute to the results of our Group only upon completion of the Proposed Diversification) will depend on the length of time required for the recovery of the economic environment of globally.

Notwithstanding the above, our Board will continue to monitor the status and progress of COVID-19 and shall endeavour, to the extent possible, to review the performance and progress of our Group's operations and financial performance as well as introduce measures to minimise our operating costs where required.

6. FINANCIAL EFFECTS OF THE PROPOSED DIVERSIFICATION

6.1. Issued share capital and substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on the issued share capital and the substantial shareholders' shareholdings in our Company as it will not involve any issuance of new shares.

6.2. Earnings and earnings per share

The Proposed Diversification is not expected to have any immediate material effect on the earnings of our Group for the FYE 31 December 2020. However, the Proposed Diversification may contribute positively to the future earnings of our Group as and when we are able to make profit from our renewable energy activities.

6.3. NA per share and gearing

Barring any unforeseen circumstances, the Proposed Diversification is not expected to have any immediate material effect on the NA and gearing of our Group. However, the future NA and/ or gearing of our Group will depend on the manner of funding for the expenditure involved in our renewable energy related activities, as well as the future profit contribution arising from the renewable energy business as and when profit is made from our Group's renewable energy activities.

7. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSED DIVERSIFICATION

The Proposed Diversification is subject to the following approvals:-

- i. The shareholders of our Company at our forthcoming EGM; and
- ii. Any other relevant authority and/ or third parties, if required.

The Proposed Diversification is not conditional upon any other proposals undertaken or to be undertaken by our Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

None of the Directors and/ or major shareholders of our Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Diversification.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining the approval from the shareholders of our Company at our forthcoming EGM.

10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Diversification (being the subject matter in this Circular), our Board is not aware of any other outstanding corporate exercises which have been announced but not yet completed as at the date of this Circular.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Diversification including but not limited to the rationale and future prospects of the Proposed Diversification:-

- i. is of the opinion that the Proposed Diversification is in the best interests of our Company; and
- ii. recommends that you vote in favour of the resolution pertaining to the Proposed Diversification to be tabled at our forthcoming EGM.

12. EGM

The EGM, notice of which is enclosed in this Circular, is scheduled to be held at Green III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.30 a.m., or immediately following the conclusion or adjournment of the 23rd AGM, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Diversification.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form must be deposited at the Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd, situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, at least 48 hours before the time set for the EGM or any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating, speaking and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders of our Company are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
ADVANCECON HOLDINGS BERHAD

Yeoh Chong Keat
Independent Non-Executive Chairman

APPENDIX I – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and our Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposed Diversification, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or likely to exist in relation to its role as the Adviser for the Proposed Diversification.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on our Group's financial results/ position:-

	RM'000
Contracted but not provided for:-	
Purchase of investment properties	5,490

5. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any other contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group.

7. MATERIAL CONTRACTS

Our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the LPD.

APPENDIX I – FURTHER INFORMATION (CONT'D)

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to the date of our forthcoming EGM of our Company:-

- i. The Constitution of our Company;
- ii. Audited consolidated financial statements of our Group for the past 2 financial years up to the FYE 31 December 2019 and the latest unaudited consolidated financial statements of our Group for the 3-month FPE 31 March 2020; and
- iii. The letters of consent and declaration of conflict of interests referred to in **Sections 2** and **3** above, respectively.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--

ADVANCECON

ADVANCECON HOLDINGS BERHAD

(Registration No. 199701011469 (426965-M))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting ("**EGM**") of Advancecon Holdings Berhad ("**Advancecon**" or the "**Company**") will be held at Green III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.30 a.m., or immediately following the conclusion or adjournment of the 23rd Annual General Meeting of Advancecon scheduled to be held at the same venue and on the same day at 10.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF ADVANCECON AND ITS SUBSIDIARIES TO INCLUDE RENEWABLE ENERGY BUSINESS AND RELATED ACTIVITIES ("PROPOSED DIVERSIFICATION")

"**THAT**, subject to the approvals of the relevant authorities and/ or parties being obtained, approval be and is hereby given to the Company and its subsidiaries to diversify its existing principal activities to include renewable energy business and related activities (i.e. the provision of support services to the renewable energy business such as asset management, engineering support, inspection and repair services as well as other range of services relating to the supporting of renewable assets);

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Diversification with full power to assent to any conditions, variations, modifications, and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matter relating thereto and to take all such steps to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Diversification."

By order of the Board

TAN TONG LANG (MAICSA 7045482 / SSM PC No. 201908002253)

THIEN LEE MEE (LS0009760 / SSM PC No. 201908002254)

Company Secretaries

Kuala Lumpur

15 July 2020

Notes:-

1. *For the purpose of determining a member who shall be entitled to attend, participate, speak and vote at the meeting, the Company shall be requesting the Record of Depositors as at 14 July 2020. Only Members whose names appear on the Record of Depositors as at 14 July 2020 shall be entitled to attend, participate, speak and vote at the meeting of the Company.*
2. *A member entitled to attend and vote at the meeting of the Company, shall be entitled to appoint up to 2 proxies to attend, participate, speak and vote instead of him. Where a member appoints more than 1 proxy, he shall specify the proportions of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.*
3. *Where a member of the Company is an exempt authorised nominee which holds deposited securities in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy shall be in writing, under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
5. *The original instrument appointing a proxy must be deposited at the Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd, situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, at least 48 hours before the time set for the EGM or any adjournment thereof.*

ADVANCECON

ADVANCECON HOLDINGS BERHAD
(Registration No. 199701011469 (426965-M))
(Incorporated in Malaysia)

PROXY FORM

No. of Shares held	CDS Account No.

*I/We *NRIC No./Passport No./Company No.
of.....
and telephone no./email address.....being a *member/members of
Advancecon Holdings Berhad (the "Company"), hereby appoint

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

* and/or

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

or failing *him/ her, the CHAIRMAN OF THE MEETING as *my/ our *proxy/ proxies, to vote for *me/ us and on *my/ our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at Green III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.30 a.m., or at any adjournment thereof.

Please indicate with an "X" in the appropriate space(s) provided below on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/ her discretion.

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Diversification		

**Strike out whichever not applicable*

Dated this _____ day of _____ 2020

.....
Signature of Member/ Common Seal

**Strike out whichever is not desired.*

.....
Signature of Shareholder(s)

Notes:-

- For the purpose of determining a member who shall be entitled to attend, participate, speak and vote at the meeting, the Company shall be requesting the Record of Depositors as at 14 July 2020. Only Members whose names appear on the Record of Depositors as at 14 July 2020 shall be entitled to attend, participate, speak and vote at the meeting of the Company.
- A member entitled to attend and vote at the meeting of the Company, shall be entitled to appoint up to 2 proxies to attend, participate, speak and vote instead of him. Where a member appoints more than 1 proxy, he shall specify the proportions of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.
- Where a member of the Company is an exempt authorised nominee which holds deposited securities in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing, under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
- The original instrument appointing a proxy must be deposited at the Company's Share Registrars Office, Boardroom Share Registrars Sdn Bhd, situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, at least 48 hours before the time set for the EGM or any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of
ADVANCECON HOLDINGS BERHAD (Registration No. 199701011469 (426965-M))
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony,
No. 5, Jalan Professor Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya, Selangor

1st fold here
