

Quarterly rpt on consolidated results for the financial period ended 30 Sep 2021

ADVANCECON HOLDINGS BERHAD

Financial Year End	31 Dec 2021
Quarter	3 Qtr
Quarterly report for the financial period ended	30 Sep 2021
The figures	have not been audited

Attachments

[Advancecon - Financial Results Q3 2021.pdf](#)
522.0 kB

Default Currency

Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2021

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
		\$\$'000	\$\$'000	\$\$'000	\$\$'000
1	Revenue	69,649	72,837	194,811	177,267
2	Profit/(loss) before tax	3,163	3,592	2,068	1,475
3	Profit/(loss) for the period	1,849	3,132	428	-1,541
4	Profit/(loss) attributable to ordinary equity holders of the parent	1,849	3,132	428	-1,541
5	Basic earnings/(loss) per share (Subunit)	0.46	0.79	0.11	-0.39
6	Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
		AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7	Net assets per share attributable to ordinary equity holders of the parent (\$\$)	0.4600		0.4600	

Definition of Subunit:

*In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
Example for the subunit as follows:*

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Announcement Info

Company Name	ADVANCECON HOLDINGS BERHAD
Stock Name	ADVCON
Date Announced	15 Nov 2021
Category	Financial Results
Reference Number	FRA-15112021-00003



ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2021

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ADVANCECON HOLDINGS BERHAD

(Registration no. 199701011469 (426965-M))

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THIRD QUARTER ENDED 30 SEPT 2021

		Individual Quarter		Cumulative Quarter	
		Current Year	Preceding Year	Current Year	Preceding Year
		Quarter	Corresponding	Period	Corresponding
		Quarter	Quarter	Period	Period
	Note	30.9.2021	30.9.2020	30.9.2021	30.9.2020
		RM	RM	RM	RM
Revenue	A9	69,649,063	72,836,784	194,811,401	177,267,175
Cost of Sales		(62,577,910)	(63,635,072)	(178,209,175)	(159,891,379)
Gross Profit		7,071,153	9,201,712	16,602,226	17,375,796
Other Income		1,045,976	893,793	2,633,426	3,050,218
		8,117,129	10,095,505	19,235,652	20,426,014
Administrative Expenses		(3,540,671)	(4,159,292)	(11,471,192)	(11,837,392)
Other Expenses		(542,910)	(742,380)	(1,868,593)	(2,212,273)
Finance Costs		(1,408,891)	(1,553,933)	(4,367,001)	(4,778,789)
Share of Result Of An Equity Accounted Associate		538,749	(47,908)	538,749	(123,000)
Profit Before Taxation	B12	3,163,406	3,591,992	2,067,615	1,474,560
Income Tax Expense	B5	(1,092,944)	(1,272,758)	(2,503,345)	(2,472,494)
Deferred Tax	B5	(221,341)	812,681	864,068	(542,589)
Profit/(Loss) After Taxation / Total Comprehensive Income/(Loss) for the Financial Period		1,849,121	3,131,915	428,338	(1,540,523)
Total Comprehensive Income/(Loss) attributable to:					
- Owners of the Company		1,849,121	3,131,915	428,338	(1,540,523)
Earnings per share (sen) attributable to owners of the parent:					
- Basic	B11	0.46	0.79	0.11	(0.39)
- Diluted	B11	0.46	0.78	0.11	(0.39)

(The Unaudited Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes as attached to the interim financial statements.)

ADVANCECON HOLDINGS BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2021

	(Unaudited) As at Current Quarter 30.9.2021 RM	(Audited) As at Financial Year Ended 31.12.2020 RM
ASSETS		
Non-current assets		
Investment in an associate	538,749	-
Property, plant and equipment	113,603,560	120,741,965
Investment properties	40,134,570	43,483,039
Other investments	-	2,994
Deferred tax assets	160,149	160,149
Finance lease receivables	2,514,202	1,790,560
	<hr/> 156,951,230	<hr/> 166,178,707
Current assets		
Contract assets	103,391,790	106,056,723
Finance lease receivables	693,786	2,114,930
Trade receivables	39,703,928	66,673,120
Other receivables, deposits and prepayments	25,660,937	9,379,213
Amount owing by an associate	5,721,105	941,218
Short-term investments	7,304,958	1,390,666
Current tax assets	2,949,422	2,844,701
Deposits with licensed banks	59,211,743	50,053,145
Cash and bank balances	24,010,975	2,232,770
	<hr/> 268,648,644	<hr/> 241,686,486
TOTAL ASSETS	<hr/> 425,599,874 <hr/>	<hr/> 407,865,193 <hr/>

ADVANCECON HOLDINGS BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2021
(CONT'D)**

	(Unaudited) As at Current Quarter 30.9.2021 RM	(Audited) As at Financial Year Ended 31.12.2020 RM
EQUITY AND LIABILITIES		
Equity		
Share capital	91,933,171	87,101,071
Treasury shares	(3,249,343)	(3,249,343)
Reserves	-	1,700,400
Retained profits	103,063,522	102,008,584
TOTAL EQUITY	191,747,350	187,560,712
Non-current liabilities		
Deferred tax liabilities	3,582,312	4,446,380
Long-term borrowings	41,724,932	24,693,873
Lease liabilities	21,690,724	32,213,598
	66,997,968	61,353,851
Current liabilities		
Contract liabilities	19,770,945	16,670,776
Trade payables	56,455,901	54,427,963
Other payables and accruals	22,709,864	11,260,510
Amount owing to an associate	-	98,942
Amount owing to a director	-	192,290
Current tax liabilities	82,890	56,586
Short-term borrowings	48,675,737	51,467,468
Lease liabilities	17,864,589	20,897,158
Bank overdrafts	1,294,630	3,878,937
	166,854,556	158,950,630
TOTAL LIABILITIES	233,852,524	220,304,481
TOTAL EQUITY AND LIABILITIES	425,599,874	407,865,193
Net asset per share (RM)	0.46	0.46

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes as attached to the interim financial statement.)

ADVANCECON HOLDINGS BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THIRD QUARTER ENDED 30 SEPT 2021**

	Share Capital	Treasury Shares	Non-Distributable Employee Share Option Reserve	Distributable Retained Profits	Total
	RM	RM	RM	RM	RM
The Group (Audited)					
Balance at 1.1.2020	86,584,921	(339,077)	1,815,100	103,864,476	191,925,420
Profit after taxation / Total comprehensive income for the financial year	-	-	-	2,101,045	2,101,045
Contribution by and distribution to owners of the Company:					
- Dividend	-	-	-	(3,956,937)	(3,956,937)
- Purchase of treasury shares	-	(2,910,266)	-	-	(2,910,266)
- Employees' share options exercised	516,150	-	(114,700)	-	401,450
Balance at 31.12.2020	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712
(Unaudited)					
Balance at 1.1.2021	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712
Profit after taxation / Total comprehensive income for the financial period	-	-	-	428,338	428,338
Contribution by and distribution to owners of the Company:					
- Employees' share options exercised	4,832,100	-	(1,073,800)	-	3,758,300
- Employees' share options lapsed	-	-	(626,600)	626,600	-
Balance at 30.9.2021	91,933,171	(3,249,343)	-	103,063,522	191,747,350

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes as attached to the interim financial statements.)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THIRD QUARTER ENDED 30 SEPT 2021**

	Cumulative Current Period Ended 30.9.2021 RM	Cumulative Comparative Period Ended 30.9.2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,067,615	1,474,560
Adjustments for:		
Depreciation:		
- property, plant and equipment	19,307,535	19,294,178
- investment properties	410,365	430,189
Interest expense on lease liabilities	1,799,505	1,967,945
Interest expense	2,567,496	2,810,844
Loss on dissolution of subsidiaries	866	-
Share of (net profit)/net loss of an equity accounted associate	(538,749)	123,000
Property, plant and equipment written off	956	22,751
Gain on disposal of property, plant and equipment	(877,210)	(253,691)
Gain on disposal of investment properties	(96,176)	-
Dividend income from short-term investments	(34,911)	(54,580)
Interest income	(987,718)	(1,295,724)
Operating profit before working capital changes	23,619,574	24,519,472
Decrease/(Increase) in contract assets	2,664,933	(6,650,777)
Increase in contract liabilities	3,100,169	197,292
Decrease in trade and other receivables	12,693,068	10,059,023
Increase/(Decrease) in trade and other payables	5,108,172	(1,723,775)
Increase in amount owing by an associate	(4,757,636)	(1,356,481)
Cash from operations	42,428,280	25,044,754
Interest paid	(4,367,001)	(4,778,789)
Income tax paid	(2,581,762)	(4,313,976)
NET CASH FROM OPERATING ACTIVITIES	35,479,517	15,951,989

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THIRD QUARTER ENDED 30 SEPT 2021 (CONT'D)**

	Cumulative Current Period Ended 30.9.2021 RM	Cumulative Comparative Period Ended 30.9.2020 RM
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	987,718	1,295,724
Dividend income from short-term investments	34,911	54,580
Increase in deposits pledged with licensed bank	(9,158,598)	(8,680,429)
Purchase of property, plant and equipment	(2,538,224)	(1,988,800)
Addition of investment properties	(2,600)	(2,561,090)
Proceeds from dissolution of a subsidiary	2,128	-
Proceeds from disposal of property, plant and equipment	2,680,348	981,601
Proceeds from disposal of investment properties	1,514,400	-
Repayment from finance lease receivables	697,502	1,385,312
(Advance to)/Repayment from an associate	(22,251)	111,834
NET CASH FOR INVESTING ACTIVITIES	(5,804,666)	(9,401,268)
CASH FLOWS FROM/(FOR) FOR FINANCING ACTIVITIES		
(Repayment to)/Advances from an associate	(98,942)	40,455
Proceeds from exercise of employees' share options	3,758,300	401,450
Purchase of treasury shares	-	(2,910,266)
Net drawdown/(repayment) of term loans	20,958,226	(401,889)
Net (repayment)/drawdown of bankers' acceptances	(1,145,614)	322,870
Net drawdown/(repayment) of invoice financing	3,319,692	(4,136,130)
Net (repayment)/drawdown of revolving credit	(4,500,000)	4,500,000
Net (repayment)/drawdown of bank factoring	(4,392,976)	4,089,609
Repayment of lease liabilities	(17,104,443)	(13,054,310)
Repayment to a director	(192,290)	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES	601,953	(11,148,211)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	30,276,804	(4,597,490)
Cash and cash equivalents at beginning of the financial year	(255,501)	9,379,411
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL PERIOD	30,021,303	4,781,921

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THIRD QUARTER ENDED 30 SEPT 2021 (CONT'D)**

	Cumulative Current Period Ended 30.9.2021 RM	Cumulative Comparative Period Ended 30.9.2020 RM
Cash and cash equivalent comprised of:		
Deposits with licensed banks	59,211,743	48,309,927
Short-term investments	7,304,958	1,384,102
Cash and bank balances	24,010,975	5,227,062
Bank overdrafts	(1,294,630)	(1,829,243)
	<u>89,233,046</u>	<u>53,091,848</u>
Less: Deposits pledged to licensed banks	(59,211,743)	(48,309,927)
	<u>30,021,303</u>	<u>4,781,921</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes as attached to the interim financial statement.)

ADVANCECON HOLDINGS BERHAD

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2021**A1. Basis of Preparation**

The interim financial report of the Advancecon Holdings Berhad and its subsidiaries ("Group") is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting, International Accounting Standard ("IAS") 34, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Listing Requirements").

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2020, except for the adoption of the following Amendments to MFRS beginning 1 January 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the above accounting standard(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

A2. Changes In Accounting Policies

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial period:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Year
• Amendments to MFRS 3: Reference to the Conceptual Framework	2022
• Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before	2022
• Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	2022
• Annual Improvements to MFRS Standards 2018 – 2020	2022
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	2023
• Amendments to MFRS 101: Disclosure of Accounting Policies	2023
• Amendments to MFRS 108: Definition of Accounting Estimates	2023
• MFRS 17 Insurance Contracts & Amendments to MFRS 17 Insurance Contracts	2023
• Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2021 (CONT'D)**A3. Auditors' Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2020.

A4. Seasonal or Cyclical Factors

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

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

There were no unusual items for the financial period under review.

A6. Changes in Estimates

There were no material changes in estimates for the financial period under review.

A7. Debt and Equity Securities

There were no issuance, repurchase and repayment of debts and equity securities by the Group and the Company during the current quarter.

A8. Dividends Paid

As at the date of this report, there was no payment of dividend during the financial year ending 31 December 2021.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2021 (CONT'D)

A Segmental Reporting

The Group's operating and reportable segments comprised of:

- (a) Construction and Support Services – involved in earthworks and civil engineering services;
- (b) Property Investment – involved in sales of investment properties for capital gain and rental of investment properties; and
- (c) Green Energy - involved in the development and/or operation of power generation from renewable energy, solar and other renewable energy projects.

	Construction and Support Services	Property Investment	Green Energy	Consolidation Adjustment	Total
The Group	RM	RM	RM	RM	RM
Revenue					
External revenue	192,828,379	440,786	1,542,236	-	194,811,401
Inter-segment revenue	46,160,052	3,000	-	(46,163,052)	-
Consolidated revenue	<u>238,988,431</u>	<u>443,786</u>	<u>1,542,236</u>		<u>194,811,401</u>

Represented by:

Revenue recognised at a point in time

Sale of goods	4,137,314	-	-	-	4,137,314
Hiring of machinery	46,302,598	-	-	(44,315,052)	1,987,546
Day work revenue	1,144,858	-	-	-	1,144,858
Cabin Living Quarters Rental	27,507	-	-	-	27,507

Revenue recognised over time

Contract revenue	185,531,154	-	-	-	185,531,154
Rental income from investment properties	-	443,786	-	(3,000)	440,786
Revenue-Green Energy	-	-	1,542,236	-	1,542,236

Revenue from other sources

Management fee	1,845,000	-	-	(1,845,000)	-
	<u>238,988,431</u>	<u>443,786</u>	<u>1,542,236</u>		<u>194,811,401</u>

Results

Segment results		4,873,238
Interest income		987,718
Dividend income from short - term investments		34,911
Finance Cost		(4,367,001)
Share of result of an equity accounted associate		538,749
Consolidated profit before taxation		2,067,615
Income tax expense		(2,503,345)
Deferred Tax		864,068
Consolidated profit after taxation		428,338

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2021 (CONT'D)**A10. Significant Events after the End of the Interim Financial Period**

Advancecon Infra Sdn Bhd ("Adv Infra") (wholly-owned subsidiary of Advancecon Holdings Berhad) had on 14 October 2021 accepted the Letter of Acceptance from China Communications Construction (ECRL) Sdn Bhd for the appointment of Adv Infra as the subcontractor for the proposed construction and completion of ground treatment works of Section 4 for the East Coast Rail Link Project, for the total subcontract sum of RM16,966,415.21.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period under review.

A12. Fair Value of Financial Instruments

There were no gains or losses arising from fair value changes for all financial assets and liabilities for the financial period under review.

A13. Capital Commitments

	Unaudited As at 30.9.2021 RM
Approved and contracted for:	
Purchase of property, plant and equipment	3,807,054
Purchase of investment properties	258,030
	<u>4,065,084</u>

A14. Contingent Liabilities

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

A15. Significant Related Party Transactions

	Unaudited 9 Months Ended 30.9.2021 RM
Transaction with Director	
Paid and payable:	
Rental of premise	<u>56,700</u>

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

	3 Months Individual Period			9 Months Cumulative Period		
	30.9.2021 RM	30.9.2020 RM	Variance %	30.9.2021 RM	30.9.2020 RM	Variance %
Revenue	69,649,063	72,836,784	-4.4%	194,811,401	177,267,175	9.9%
Profit Before Taxation	3,163,406	3,591,992	-11.9%	2,067,615	1,474,560	40.2%
Profit/(Loss) After Taxation	1,849,121	3,131,915	-41.0%	428,338	(1,540,523)	127.8%

For the current quarter under review, the Group recorded a 4.4% decrease in revenue as compared to preceding year corresponding quarter. The decrease was mainly attributable to lower progress billings from its on-going construction projects and support services as some of the project sites were only allowed to fully operate from August 2021.

Construction and Support Services Segment contributed about 99.6% of the Group's revenue, and Green Energy Segment contributed about 0.2% of the Group's revenue, at RM 69.5 million and RM 0.2 million respectively. The balance of revenue was derived from Property Investment Segment. As compared to the preceding year corresponding quarter, Construction and Support Services Segment contributed almost 100% of the Group's revenue, at RM 72.7 million.

Construction and Support Services Segment

During the current quarter under review, the profit before taxation ("PBT") and PBT margin achieved by this division was RM 3.4 million and 5.0% as compared to RM 3.9 million and 5.4% during the preceding year corresponding quarter.

In terms of profit after taxation ("PAT"), this division recorded a lower PAT of RM 2.1 million versus RM 3.5 million for the preceding year corresponding quarter. Higher PAT recorded during the preceding year corresponding quarter was mainly due to reversal of deferred tax amounting to RM 1.0 million.

Green Energy Segment

During the current quarter under review, the division recorded a loss before taxation ("LBT") of RM 0.09 million versus RM 0.11 million LBT during the preceding year corresponding quarter. The LBT in the current quarter under review is mainly attributable to professional fees and bank charges for Large Scale Solar ("LSS4") project.

Property Investment Segment

For the current quarter and preceding year corresponding quarter under review, this division recorded LBT of RM 0.2 million. The management is actively looking to monetise the investment properties as soon as possible.

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

	3 Months Individual Period		
	30.9.2021 RM	30.6.2021 RM	Variance %
Revenue	69,649,063	60,085,820	15.9%
Profit/(Loss) Before Taxation	3,163,406	(2,714,259)	216.5%
Profit/(Loss) After Taxation	1,849,121	(2,501,758)	173.9%

The Group had returned to profitability during the current quarter versus the preceding quarter mainly due to:

1. Increase in gross profit by RM 4.0 million as site operations were back to normal after the end of the Third Movement Control Order;
2. Share of profit from the associate company amounting to RM 0.5 million; and
3. Decrease in administrative expenses by RM0.8 million resulting from improvement in operational efficiency.

B3. Prospects

Following the reopening of all the project sites and the relatively stable supply chain after the gradual easing of movement restrictions, the Group expects gradual recovery on the Construction and Support Service Segment. However, a weak property market and lack of new mega infrastructure projects in Budget 2022 is expected to impact the Group's growth.

Moving forward, the Group will focus on:

- 1 Coordinated efforts to fulfill the remaining order book of RM 720.8 million within the contract periods;
- 2 Bid for more projects to replenish its order book; and
- 3 Review and monitor costs and expenses to further improve operational efficiency.

The Group will continue to focus on its Green Energy Segment, particularly in its execution of the LSS4 project. Completion of the LSS4 project is expected to contribute positively to the Group's profit towards the end of 2023.

The Group views the long-term prospects of the expansion into quarry operations positively as per note B6 below. The acquisition of 51.0% equity interest in Spring Energy Resources Berhad ("SERB") will provide an additional stream of income to Advancecon in 2022.

Based on the above, the Group remains cautious on its performance for 2021.

ADVANCECON HOLDINGS BERHAD

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B4. Profit Forecast**

The Group did not issue any profit forecast or profit guarantee for the financial period under review.

B5. Taxation

	Unaudited 9 Months Ended	
	30.9.2021	30.9.2020
	RM	RM
Income tax	2,503,345	2,472,494
Deferred tax	(864,068)	542,589
	<u>1,639,277</u>	<u>3,015,083</u>

The Group's effective tax rate ("ETR") for the financial period is higher than statutory tax rate of 24% mainly due to certain expenses not tax deductible and there is no Group tax relief available over the loss making companies with the Group. However, higher ETR was partly mitigated by the deferred tax movement.

B6. Status of Corporate Proposals

There are no announced corporate proposals that are not completed as at the date of this report, other than disclosed below:

Multiple Proposals

On 17 June 2021, Advancecon made an announcement on Bursa Malaysia that the Company had entered into a conditional share sale agreement ("SSA") with Fook Hua Holdings Sdn Bhd ("FHHSB") in relation to the proposed acquisition of 51.0% equity interest in SERB for a total purchase consideration of RM30,400,000.00 ("Proposed Acquisition").

The purchase consideration is to be satisfied via a combination of cash payment of RM15,220,000.00 and the remaining purchase consideration of RM15,180,000.00 to be satisfied via an issuance and allotment of 33,000,000 new ordinary shares of Advancecon ("Consideration Share") at the issue price of RM0.46 per Consideration Share.

The Proposed Acquisition is conditional upon all conditions precedent stated in the conditional ("SSA") being satisfied within 3 months from the date of this conditional SSA with an automatic extension of a further 1 month if the conditions precedent have not been satisfied by the expiry of the aforesaid initial 3 months period unless further extended by mutual agreement between both parties.

Advancecon had also entered into a shareholders' agreement with FHHSB and SERB to regulate the relationship of the shareholders and govern the management and operations of SERB between the shareholders of SERB upon completion of the Proposed Acquisition.

In conjunction with the Proposed Acquisition, Advancecon proposes to undertake a diversification of the existing principal activities of the Group to include quarry operation and other related activities at an extraordinary general meeting to be convened ("Proposed Diversification").

The Proposed Acquisition and Proposed Diversification were approved by the shareholders on 26 October 2021.

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B6. Status of Corporate Proposals (CONT'D)**Private Placement up to 10% of the total number of shares ("Proposed Private Placement")

On 15 October 2021, the Company proposed to undertake a private placement of up to 10% of the total number of issued shares of the Company (excluding Treasury Shares) to third party investor(s) to be identified at an issue price to be determined in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016.

The application pursuant to the Proposed Private Placement was submitted to Bursa Malaysia on 27 October 2021.

Bursa Malaysia had, vide its letter dated 29 October 2021, approved the listing and quotation of up to 44,881,300 placement shares to be issued pursuant to the Proposed Private Placement.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)
B7. Utilisation of Proceeds Raised from Public Issue

The details are as set out below:

No	Details of utilisation	Allocation of IPO Proceeds upon listing ⁽¹⁾	Allocation of IPO Proceeds upon listing (revised)	Actual utilisation of IPO Proceeds	Unutilised IPO Proceeds	Estimated timeframe for utilisation (upon listing)
		RM'000	RM'000	RM'000	RM'000	
i.	Total Capital expenditures:	29,700	27,050	(13,962)	13,088	Within 54 ⁽³⁾ months
	(a) Purchase of new construction machinery and equipment	15,100	12,960	(12,960)	-	Within 24 months
	(b) Construction of new workshop	14,600	14,090 ⁽²⁾	(1,002)	13,088	Within 54 ⁽³⁾ months
ii.	Repayment of bank borrowings	12,500	12,455 ⁽²⁾	(12,455)	-	Within 6 months
iii.	Working capital	10,700	13,395	(13,395)	-	Within 24 months
iv.	Estimated listing expenses	3,800	3,800	(3,800)	-	Upon Listing
		<u>56,700</u>	<u>56,700</u>	<u>(43,612)</u>	<u>13,088</u>	

Notes:

- (1) As per IPO Prospectus dated 19 June 2017.
- (2) On 29 August 2018, the Board announced to re-allocate the utilisation of construction of new workshop and repayment of bank borrowings by RM 0.51 million and RM 0.05 million respectively to day-to-day working capital expenses for payment to suppliers.
- (3) On 26 August 2020, the Board announced to extend the estimate timeframe for construction of new workshop from within 36 months to within 54 months from date of IPO, up till 10 January 2022.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)
B8. Group Borrowings and Debt Securities

	Unaudited As at 30.9.2021 RM	Audited As at 31.12.2020 RM
<u>Non-current</u>		
Term loans	41,724,932	24,693,873
Lease liabilities	21,690,724	32,213,598
<u>Current</u>		
Term loans	5,152,314	1,225,147
Lease liabilities	17,864,589	20,897,158
Bankers' acceptances	18,762,317	19,907,931
Invoice financing	13,561,107	10,241,415
Revolving credit	9,000,000	13,500,000
Bank overdrafts	1,294,630	3,878,937
Bank factoring	2,199,999	6,592,975
	131,250,612	133,151,034

B9. Material Litigation

As at the date of this report, the Group was not engaged in any material litigation.

B10. Dividends Declared

There was no dividend declared for the current financial period under review.

B11. Earnings Per Share

	Unaudited 9 Months Ended 30.9.2021	30.9.2020
Profit/(Loss)after tax attributable to the owners of the Company (RM)	428,338	(1,540,523)
<i>Basic earnings per share</i>		
Weighted average number of ordinary shares	404,436,423	398,450,277
Basic earnings/(loss) per share (sen) ⁽¹⁾	0.11	(0.39)
<i>Diluted earnings per share</i>		
Weighted average number of ordinary shares	404,638,908	399,178,695
Diluted earnings/(loss) per share (sen) ⁽²⁾	0.11	(0.39)

Notes:

- (1) The basic earnings/(loss) per share was computed based on loss attributable to owners of the Company divided by the weighted average number of ordinary shares.
- (2) The dilutive portion of the ordinary shares deemed issued pursuant to the employees' share options ("ESOS") are accounted for in the diluted loss per share calculation. The ESOS will have a dilutive effect only when the average target price of ordinary shares of the Company during the period exceeds the exercise price of options granted.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B12. Profit Before Taxation**

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

	Unaudited	
	Individual	Cumulative
	Quarter	Quarter
	30.9.2021	30.9.2021
	RM	RM
Auditors' remuneration	48,000	136,500
Depreciation:		
- property, plant and equipment	6,417,127	19,307,535
- investment properties	131,233	410,365
Directors' remuneration	911,738	2,753,759
Interest expenses	1,408,891	4,367,001
Property, plant and equipment written off	922	956
Staff costs	10,790,458	31,660,270
Gain on disposal of property, plant and equipment	(389,481)	(877,210)
Gain on disposal of investment properties	-	(96,176)
Interest income	(330,815)	(987,718)
Dividend income from short-term investments	(18,117)	(34,911)

BY ORDER OF THE BOARD**15 November 2021**