

# Quarterly rpt on consolidated results for the financial period ended 30 Sep 2019

## ADVANCECON HOLDINGS BERHAD

Financial Year End 31 Dec 2019  
 Quarter 3 Qtr  
 Quarterly report for the financial period ended 30 Sep 2019  
 The figures have not been audited

### Attachments

[Advancecon- Quarterly Report \(Q3 2019\).pdf](#)  
 946.2 kB

|                         |                       |
|-------------------------|-----------------------|
| <b>Default Currency</b> | <b>Other Currency</b> |
|-------------------------|-----------------------|

Currency: Malaysian Ringgit (MYR)

### SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2019

|   | INDIVIDUAL PERIOD            |                                      | CUMULATIVE PERIOD                  |                                     |
|---|------------------------------|--------------------------------------|------------------------------------|-------------------------------------|
|   | CURRENT YEAR QUARTER         | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE               | PRECEDING YEAR CORRESPONDING PERIOD |
|   | 30 Sep 2019                  | 30 Sep 2018                          | 30 Sep 2019                        | 30 Sep 2018                         |
|   | \$\$'000                     | \$\$'000                             | \$\$'000                           | \$\$'000                            |
| 1 Revenue   | 71,136                       | 65,780                               | 223,736                            | 201,276                             |
| 2 Profit/(loss) before tax  | 3,775                        | 2,225                                | 11,737                             | 11,196                              |
| 3 Profit/(loss) for the period  | 2,735                        | 1,536                                | 8,216                              | 7,732                               |
| 4 Profit/(loss) attributable to ordinary equity holders of the parent | 2,735                        | 1,536                                | 8,216                              | 7,732                               |
| 5 Basic earnings/(loss) per share (Subunit)                           | 0.68                         | 0.38                                 | 2.05                               | 1.92                                |
| 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  | 0.4700                       |                                      | 0.4500                             |                                     |

|  |  |  |
|--|--|--|
| share attributable to ordinary equity holders of the parent (\$\$) |  |  |
|--|--|--|

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   |

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### Announcement Info

|                         |                            |
|-------------------------|----------------------------|
| <b>Company Name</b>     | ADVANCECON HOLDINGS BERHAD |
| <b>Stock Name</b>       | ADVCON                     |
| <b>Date Announced</b>   | 21 Nov 2019                |
| <b>Category</b>         | Financial Results          |
| <b>Reference Number</b> | FRA-18112019-00032         |



**ADVANCECON HOLDINGS BERHAD**

(Company No: 426965 - M)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THIRD QUARTER ENDED 30 SEPT 2019

(The figures have not been audited)

|  | Note | Individual Quarter                         |   | Cumulative Quarter                        |  |
|--|------|--|---|---|--|
|  |      | Current Year<br>Quarter<br>30.9.2019<br>RM | Preceding Year<br>Corresponding<br>Quarter<br>30.9.2018<br>RM | Current Year<br>Period<br>30.9.2019<br>RM | Preceding Year<br>Corresponding<br>Period<br>30.9.2018<br>RM |
| Revenue  | A9   | 71,136,240                                 | 65,780,042  | 223,735,923                               | 201,275,678  |
| Cost of Sales  |      | (59,729,220)                               | (57,653,930)  | (190,781,887)                             | (168,816,108)  |
| Gross Profit   |      | 11,407,020                                 | 8,126,112   | 32,954,036                                | 32,459,570   |
| Other Income   |      | 628,451                                    | 1,095,953   | 1,967,683                                 | 3,898,702  |
|  |      | 12,035,471                                 | 9,222,065   | 34,921,719                                | 36,358,272   |
| Administrative Expenses  |      | (5,957,349)                                | (4,985,115)   | (16,014,202)                              | (17,789,903)   |
| Other Expenses   |      | (571,038)                                  | (66,016)  | (1,843,882)                               | (1,682,086)  |
| Finance Costs  |      | (1,729,616)                                | (1,946,284)   | (5,302,285)                               | (5,689,984)  |
| Share Of Result Of An Equity<br>Accounted Associate                                      |      | (2,534)                                    | -   | (24,727)                                  | -  |
| <b>Profit Before Taxation</b>  | B12  | 3,774,934                                  | 2,224,650   | 11,736,623                                | 11,196,299   |
| Income Tax Expense   | B5   | (1,039,761)                                | (688,331)   | (3,520,987)                               | (3,464,260)  |
| <b>Profit After Taxation/Total<br/>Comprehensive income for the<br/>Financial Period</b> |      | 2,735,173                                  | 1,536,319   | 8,215,636                                 | 7,732,039  |
| <b>Total Comprehensive Income<br/>attributable to:</b>                                   |      |  |   |   |  |
| - Owners of the Company  |      | 2,735,173                                  | 1,536,319   | 8,215,636                                 | 7,732,039  |
| <b>Earnings per share (sen)<br/>attributable to owners of the<br/>parent:</b>            |      |  |   |   |  |
| - Basic <sup>(2)</sup>   | B11  | 0.68                                       | 0.38  | 2.05                                      | 1.92   |
| - Diluted <sup>(2)</sup>   | B11  | 0.68                                       | 0.36  | 2.04                                      | 1.83   |

Notes:

(1) 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 2018 and the accompanying explanatory notes as attached to this interim financial statements.

(2) Based on the weighted average number of ordinary shares in issue as detailed in Note B11.

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | <b>(Unaudited)</b><br>As at Current<br>Quarter<br><b>30.9.2019</b><br>RM | <b>(Audited)</b><br>As at Financial<br>Year Ended<br><b>31.12.2018</b><br>RM |
|---|--|--|
| <b>ASSETS</b>                               |  |  |
| <b>Non-current assets</b>                   |  |  |
| Investment in an associate                  | 200,243  | -  |
| Property, plant and equipment               | 142,193,887  | 151,196,756  |
| Right of use assets                         | 205,886  | -  |
| Investment properties                       | 38,804,627   | 39,222,108   |
| Other investments                           | 2,994  | 50,315   |
| Deferred tax assets                         | 160,149  | 160,149  |
| Finance lease receivables                   | 2,048,335  | 2,748,578  |
|   | 183,616,121  | 193,377,906  |
| <b>Current assets</b>                       |  |  |
| Contract assets                             | 106,707,626  | 79,097,980   |
| Finance lease receivables                   | 927,541  | 890,840  |
| Trade receivables                           | 45,985,974   | 66,928,323   |
| Other receivables, deposits and prepayments | 10,614,187   | 25,004,362   |
| Amount owing by an associate company        | 427,116  | 5,288  |
| Short-term investments                      | 2,012,453  | 4,194,411  |
| Current tax assets                          | 4,466,706  | 1,509,428  |
| Deposits with licensed banks                | 37,041,213   | 32,637,176   |
| Cash and bank balances                      | 6,533,822  | 7,708,889  |
|   | 214,716,638  | 217,976,697  |
| <b>TOTAL ASSETS</b>                         | <b>398,332,759</b>   | <b>411,354,603</b>   |

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

|                                      | <b>(Unaudited)</b><br>As at Current<br>Quarter<br><b>30.9.2019</b><br>RM | <b>(Audited)</b><br>As at Financial<br>Year Ended<br><b>31.12.2018</b><br>RM |
|--------------------------------------|--|--|
| <b>EQUITY AND LIABILITIES</b>        |  |  |
| <b>Equity</b>                        |  |  |
| Share capital                        | 86,116,471   | 85,752,871   |
| Treasury shares                      | (339,077)  | (339,077)  |
| Reserves                             | 1,919,200  | 1,116,498  |
| Retained profits                     | 103,671,534  | 95,455,898   |
| <b>TOTAL EQUITY</b>                  | <b>191,368,128</b>   | <b>181,986,190</b>   |
| <b>Non-current liabilities</b>       |  |  |
| Deferred tax liabilities             | 4,909,076  | 4,909,076  |
| Long-term borrowings                 | 65,343,847   | 78,790,418   |
| Lease Liability                      | 132,462  | -  |
|                                      | <b>70,385,385</b>  | <b>83,699,494</b>  |
| <b>Current liabilities</b>           |  |  |
| Contract liabilities                 | 17,657,412   | 20,679,138   |
| Trade payables                       | 44,623,989   | 49,147,250   |
| Other payables and accruals          | 16,690,952   | 15,921,253   |
| Amount owing to an associate company | 39,011   | -  |
| Dividend payable                     | -  | 4,017,260  |
| Current tax liabilities              | 1,752,535  | 272,022  |
| Short-term borrowings                | 51,663,952   | 51,176,455   |
| Bank overdrafts                      | 4,083,871  | 4,455,541  |
| Lease Liability                      | 67,524   | -  |
|                                      | <b>136,579,246</b>   | <b>145,668,919</b>   |
| <b>TOTAL LIABILITIES</b>             | <b>206,964,631</b>   | <b>229,368,413</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>398,332,759</b>   | <b>411,354,603</b>   |
| Net asset per share<br>(RM)          | 0.47   | 0.45   |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes as attached to this interim financial statement.

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THIRD QUARTER ENDED 30 SEPT 2019

|   | Share Capital     | Treasury Shares  | Non-Distributable Employee Share Option Reserve | Distributable Retained Profits | Total              |
|---|-------------------|------------------|---|--------------------------------|--------------------|
|   | RM                | RM               | RM  | RM                             | RM                 |
| <b>The Group</b>  |                   |                  |   |                                |                    |
| <b>(Audited)</b>  |                   |                  |   |                                |                    |
| Balance at 1.1.2018   | 85,752,871        | -                | -   | 88,855,019                     | 174,607,890        |
| Profit after taxation/Total comprehensive income for the financial year | -                 | -                | -   | 10,618,139                     | 10,618,139         |
| Contribution by and distribution to owners of the company:              |                   |                  |   |                                |                    |
| - Purchase of treasury shares   | -                 | (339,077)        | -   | -                              | (339,077)          |
| - Recognition of share option expenses                                  | -                 | -                | 1,116,498                                       | -                              | 1,116,498          |
| - Dividend  | -                 | -                | -   | (4,017,260)                    | (4,017,260)        |
| <b>Balance at 31.12.2018</b>  | <b>85,752,871</b> | <b>(339,077)</b> | <b>1,116,498</b>                                | <b>95,455,898</b>              | <b>181,986,190</b> |
| <b>(Unaudited)</b>  |                   |                  |   |                                |                    |
| Balance at 1.1.2019   | 85,752,871        | (339,077)        | 1,116,498                                       | 95,455,898                     | 181,986,190        |
| Profit after taxation/Total comprehensive income for the financial year | -                 | -                | -   | 8,215,636                      | 8,215,636          |
| Contribution by and distribution to owners of the company:              |                   |                  |   |                                |                    |
| - Recognition of share option expenses                                  | -                 | -                | 883,502   | -                              | 883,502            |
| - Employees' share options exercised                                    | 363,600           | -                | (80,800)  | -                              | 282,800            |
| <b>Balance at 30.9.2019</b>   | <b>86,116,471</b> | <b>(339,077)</b> | <b>1,919,200</b>                                | <b>103,671,534</b>             | <b>191,368,128</b> |

Notes:

- (1) 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 2018 and the accompanying explanatory notes as attached to this interim financial statements.

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2019

(The figures have not been audited)

|  | Cumulative<br>Current Period<br>Ended<br>30.9.2019<br>RM | Cumulative<br>Comparative<br>Period Ended<br>30.9.2018<br>RM |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| Profit before taxation   | 11,736,623   | 11,196,299   |
| Adjustments for:-  |  |  |
| Depreciation:  |  |  |
| - investment properties  | 19,086,108   | 304,507  |
| - property, plant and equipment  | 428,980  | 18,777,463   |
| - right of use assets  | 5,882  | -  |
| Fair value adjustments:  |  |  |
| -trade receivables   | -  | (63,242)   |
| Interest expense   | 5,301,468  | 5,689,984  |
| Finance cost-Lease Liability   | 817  | -  |
| Loss on deemed disposal due to effects of deconsolidation of subsidiaries<br>under Member's Voluntary Winding Up | 146,544  | -  |
| Share of result of an equity accounted associate   | 24,727   | -  |
| Share option expenses  | 883,502  | 113,705  |
| Property, plant and equipment written off  | 86,964   | 3,016  |
| (Gain) on disposal of property, plant and equipment  | (26,979)   | (1,798,297)  |
| Interest income  | (1,132,501)  | (856,765)  |
| Operating profit before working capital changes  | 36,542,135   | 33,366,670   |
| Increase in contract assets  | (27,609,646)   | (373,825)  |
| (Decrease) / Increase in contract liabilities  | (3,021,726)  | 17,766,344   |
| Decrease / (Increase) in trade and other receivables   | 35,368,183   | (16,036,734)   |
| Decrease in trade and other payables   | (4,709,303)  | (1,423,921)  |
| Increase in amount owing by associate company  | (346,287)  | -  |
| <b>Cash from operations</b>  | <b>36,223,356</b>  | <b>33,298,534</b>  |
| Interest paid  | (5,301,468)  | (5,689,984)  |
| Tax refund   | 1,353,067  | 8,000  |
| Tax paid   | (6,388,078)  | (6,049,457)  |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>  | <b>25,886,877</b>  | <b>21,567,093</b>  |



## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

(The figures have not been audited)

|  | Cumulative<br>Current Period<br>Ended<br>30.9.2019<br>RM | Cumulative<br>Comparative<br>Period Ended<br>30.9.2018<br>RM |
|--|--|--|
| <b>CASH FLOWS FOR INVESTING ACTIVITIES</b>   |  |  |
| Net cash flow from deconsolidation of subsidiaries under Member's Voluntary Winding Up | (99,223)   | -  |
| Investment in an associate   | (224,970)  | -  |
| Advances to an associated company  | (75,541)   | -  |
| Interest received  | 1,014,460  | 811,616  |
| Dividend income from short-term investments  | 118,041  | 45,149   |
| Increase in deposits pledged with licensed bank  | (4,404,037)  | (12,896,447)   |
| Withdrawal of deposits with tenure more than 3 months                                  | -  | 4,600,000  |
| Purchase of property, plant and equipment  | (1,184,185)  | (38,374,426)   |
| Purchase of investment properties  | (11,499)   | (1,445,597)  |
| Right of use assets  | (211,768)  | -  |
| Proceeds from disposal of property, plant and equipment                                | 423,702  | 4,138,746  |
| Repayment from finance lease receivables   | 663,542  | 297,071  |
| <b>NET CASH FOR INVESTING ACTIVITIES</b>   | <b>(3,991,478)</b>                                       | <b>(42,823,888)</b>  |
| <b>CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES</b>                                     |  |  |
| Advances from associate company  | 39,011   | -  |
| Proceeds from exercise of employees' share options                                     | 282,800  | -  |
| Dividend paid  | (4,017,260)  | -  |
| Drawdown of term loans   | 19,197   | 5,560,420  |
| Repayment of term loans  | (8,153,510)  | (3,147,439)  |
| Net (repayment) / drawdown of hire purchase obligations                                | (12,865,544)   | 8,496,648  |
| Net drawdown of bankers' acceptances   | 111,470  | 6,745,413  |
| Net (repayment) / drawdown of invoice financing  | (8,619,662)  | 13,360,470   |
| Net drawdown / (repayment) in revolving credit   | 3,000,000  | (6,000,000)  |
| Net repayment of bank factoring  | 5,123,575  | -  |
| Proceeds of lease liability  | 211,768  | -  |
| Repayment of lease liability   | (12,599)   | -  |
| <b>NET CASH (FOR) / FROM FINANCING ACTIVITIES</b>                                      | <b>(24,880,754)</b>                                      | <b>25,015,512</b>  |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENT</b>                           | <b>(2,985,355)</b>                                       | <b>3,758,717</b>   |
| Cash and cash equivalents at beginning of the financial year                           | 7,447,759  | 23,973,585   |
| <b>CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR</b>                           | <b>4,462,404</b>   | <b>27,732,302</b>  |

**ADVANCECON HOLDINGS BERHAD**

(Company No: 426965 - M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)**

(The figures have not been audited)

|   | <b>Cumulative<br/>Current<br/>Period Ended<br/>30.9.2019<br/>RM</b> | <b>Cumulative<br/>Comparative<br/>Period Ended<br/>30.9.2018<br/>RM</b> |
|---|---|---|
| <b>Cash and cash equivalent comprised of:</b> |   |   |
| Deposits with licensed banks                  | 37,041,213  | 30,611,738  |
| Short-term investments                        | 2,012,453   | 2,938,718   |
| Cash and bank balances                        | 6,533,822   | 29,100,399  |
| Bank overdrafts                               | <u>(4,083,871)</u>  | <u>(4,306,815)</u>  |
|   | 41,503,617  | 58,344,040  |
| Less: Deposits pledged to licensed banks      | <u>(37,041,213)</u>   | <u>(30,611,738)</u>   |
|   | <u>4,462,404</u>  | <u>27,732,302</u>   |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes as attached to this interim financial statement.

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019

#### A1. Basis of Preparation

The interim financial report of the Group are 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 2018, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRS beginning 1 January 2019:

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements except as follows:-

#### MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. There is no material financial impact arises from the adoption of this standard.

#### 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:-

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

#### A2. Changes In Accounting Policies (Cont'd)

| <b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>   | <b>Effective Date</b> |
|---|-----------------------|
| • MFRS 17 Insurance Contracts   | 1 January 2021        |
| • Amendments to MFRS 3: Definition of a Business  | 1 January 2020        |
| • Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred              |
| • Amendments to MFRS 101 and MFRS 108: Definition of Material   | 1 January 2020        |
| • Amendments to References to the Conceptual Framework in MFRS Standards  | 1 January 2020        |

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.

#### A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2018.

#### 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

Save for the issuance of 808,000 ordinary shares under Employees' Share Option Scheme ("ESOS"), there were no other issuance, repurchase and repayment of debts and equity securities by the Group and the Company during the six months ended 30 September 2019.

#### A8. Dividends Paid

During the 9 months ended 30 September 2019, a first interim single tier dividend of 1.00 sen per ordinary share amounting to approximately RM 4.02 million in respect of financial year ended 31 December 2018 was paid on 3 January 2019.

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

#### A9. Segmental Reporting

The Group's operating and reportable segments comprised of:

- (a) Construction and Support Services under Earthworks and Civil Engineering Sector; and
- (b) Property Investment that deals with the holding of investment properties for capital gain and/or rental income.

| <b>The Group</b>                                    | <b>Construction<br/>and Support<br/>Services</b> | <b>Property<br/>Investment</b> | <b>Consolidation<br/>Adjustment</b> | <b>Total</b>            |
|---|--|--------------------------------|-------------------------------------|-------------------------|
|   | RM   | RM                             | RM                                  | RM                      |
| <b>Revenue</b>                                      |  |                                |                                     |                         |
| External revenue                                    | 223,258,502                                      | 477,421                        | -                                   | 223,735,923             |
| Inter-segment revenue                               | 48,778,870                                       | -                              | (48,778,870)                        | -                       |
| Consolidated revenue                                | <u>272,037,372</u>                               | <u>477,421</u>                 |                                     | <u>223,735,923</u>      |
| Represented by:-                                    |  |                                |                                     |                         |
| <u>Revenue recognised<br/>at a point in time</u>    |  |                                |                                     |                         |
| Sale of goods                                       | 20,340,216                                       | -                              | -                                   | 20,340,216              |
| Hiring of machinery                                 | 47,830,501                                       | -                              | (46,845,623)                        | 984,878                 |
| Day work revenue                                    | 249,023  | -                              | -                                   | 249,023                 |
| Rental income                                       | -  | 477,421                        | -                                   | 477,421                 |
| Cabin living quarters<br>rental                     | 445  | -                              |                                     | 445                     |
| Management fee                                      | 1,933,247  | -                              | (1,933,247)                         | -                       |
| <u>Revenue recognised<br/>over time</u>             |  |                                |                                     |                         |
| Contract revenue                                    | 201,683,940                                      | -                              | -                                   | 201,683,940             |
|   | <u>272,037,372</u>                               | <u>477,421</u>                 |                                     | <u>223,735,923</u>      |
| <b>Results</b>                                      |  |                                |                                     |                         |
| Segment results                                     |  |                                |                                     | 15,931,134              |
| Interest income                                     |  |                                |                                     | 1,014,460               |
| Dividend income from short –<br>term investments    |  |                                |                                     | 118,041                 |
|   |  |                                |                                     | <u>17,063,635</u>       |
| Finance Cost  |  |                                |                                     | (5,302,285)             |
| Share of result of an equity<br>accounted associate |  |                                |                                     | (24,727)                |
| <b>Consolidated profit before<br/>taxation</b>      |  |                                |                                     | <u>11,736,623</u>       |
| Income tax expense                                  |  |                                |                                     | (3,520,987)             |
| <b>Consolidated profit after<br/>taxation</b>       |  |                                |                                     | <u><b>8,215,636</b></u> |

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

### A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

#### A10. Significant Events after the End of the Interim Financial Period

There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the financial period under review.

#### 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

Approved and contracted for:-  
Purchase of property, plant and equipment

Unaudited  
As at 30.9.2019  
RM

14,390,000

#### A14. Contingent Liabilities

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

#### A15. Significant Related Party Transactions

##### Transaction with Director

Paid and payable:-  
Rental of premise

Unaudited  
9 Months Ended  
30.9.2019  
RM

51,100

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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

#### B1. Review of Group Performance

|                        | 3 Months Individual Period |                 |               | 9 Months Cumulative Period |                 |               |
|------------------------|----------------------------|-----------------|---------------|----------------------------|-----------------|---------------|
|                        | 30.9.2019<br>RM            | 30.9.2018<br>RM | Variance<br>% | 30.9.2019<br>RM            | 30.9.2018<br>RM | Variance<br>% |
| Revenue                | 71,136,240                 | 65,780,042      | 8.1%          | 223,735,923                | 201,275,678     | 11.2%         |
| Profit Before Taxation | 3,774,934                  | 2,224,650       | 69.7%         | 11,736,623                 | 11,196,299      | 4.8%          |
| Profit After Taxation  | 2,735,173                  | 1,536,319       | 78.0%         | 8,215,636                  | 7,732,039       | 6.3%          |

For the current quarter under review, the Group recorded 8.1% increase in revenue as compared to preceding year corresponding quarter. The increase was mainly attributable to higher progress billings from its on-going construction projects and support services. Overall, construction and support services contributed almost 100% of the Group's revenue for both the current quarter and preceding year corresponding quarter, at RM80.11 million and RMRM73.68 million respectively. The balance of revenue was derived from property investment.

#### Construction and Support Services

During the current quarter under review, the PBT and PBT margin achieved by this division was RM 4.10 million and 5.78% as compared to RM 2.90 million and 4.41% during the preceding year corresponding quarter.

The increase in PBT and PBT margin during the current quarter was mainly due to:

1. Recognition of profit for a total of five (5) completed projects as compared to one (1) completed project during the preceding year corresponding quarter;
2. Reduced subcontractors' fee as a result of the said completed projects and the reduction in administrative expenses; and
3. Lower weighted average diesel cost per litre of RM 2.08 versus RM 2.32 during the preceding year corresponding period.

In terms of profit after taxation ("PAT") and PAT margin, the division achieved RM 3.06 million and 4.30% versus RM 2.21 million and 3.36% during the preceding year corresponding quarter. The improvement in PAT was in line with higher PBT stated above.

#### Property Investment

For the current quarter under review, this division recorded marginal improvement with a lower loss before taxation of RM 0.30 million as compared to RM 0.67 million in the preceding year corresponding quarter mainly due to higher rental income from its investment properties.

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

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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 |            |          |
|------------------------|----------------------------|------------|----------|
|                        | 30.9.2019                  | 30.6.2019  | Variance |
|                        | RM                         | RM         | %        |
| Revenue                | 71,136,240                 | 80,267,883 | -11.4%   |
| Profit Before Taxation | 3,774,934                  | 5,020,520  | -24.8%   |
| Profit After Taxation  | 2,735,173                  | 3,455,896  | -20.9%   |

During the current quarter under review, the decrease in the Group's revenue was mainly due to higher number of projects completed: four (4) during the current quarter versus one (1) in the immediate preceding quarter. The lower PBT and PAT was in line with the reduction in the Group's revenue as well as higher administrative expenses incurred during the current quarter as compared to the immediate preceding quarter.

#### B3. Prospects

The Group is optimistic of achieving positive financial results during the current financial year due to:

1. The Group's current outstanding order book of RM 790.9 million or 2.9 times of last year's audited revenue will provide earnings visibility for a minimum of 18 months;
2. The Group expects good progress of its 2 major contracts moving forward, namely West Coast Expressway ("WCE") Section 7A and WCE Section 1, because of sizable sites handover happened recently. As at the date of this report, for WCE Section 7A, out of 19.5 km of total length, 98.7% was handed over versus 23.9% as at end of 31 December 2018. Whereas for WCE Section 1, out of 11.3 km of total length, 73.8% was given as compared to 54.3% as at end of 31 December 2018;
3. In East Malaysia, Sarawak in particular, as recent as October 2019 the Group had secured a total of approximately RM 88 million worth of infrastructure projects from the State Government; and
4. Nonetheless, the Group remains cautious and will selectively bid for future projects as competition is increasingly intense.

#### B4. Profit Forecast

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

#### B5. Taxation

|                                   | Unaudited        |                  |
|-----------------------------------|------------------|------------------|
|                                   | 30.9.2019        | 30.9.2018        |
|                                   | RM               | RM               |
| Income tax                        | 4,097,922        | 2,383,306        |
| Deferred tax                      | (576,935)        | 1,080,954        |
|                                   | <u>3,520,987</u> | <u>3,464,260</u> |
| Effective tax rate <sup>(1)</sup> | 30%              | 31%              |

Notes:

- (1) The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 24% mainly due to certain expenses disallowed for tax purposes.



## ADVANCECON HOLDINGS BERHAD

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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

There was no corporate proposal during the current quarter under review.

#### B7. Utilisation of Proceeds Raised from Public Issue

On 29 August 2018, the Company announced its intention to vary the utilisation of proceeds raised from the IPO exercise in conjunction with the listing of and the quotation of its entire share capital on the Main Market of Bursa Malaysia Securities on 10 July 2017. The Company has raised gross proceeds which is amounting to RM56.70 million from its IPO ("IPO Proceeds").

The details of the variations of the IPO Proceeds are as set out below:

| No   | Details of utilisation                                   | Allocation of IPO Proceeds upon listing <sup>(1)</sup> | 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.   | <b>Total Capital expenditures:-</b>                      | 29,700   | 27,050  | (12,960)                           | 14,090                  | Within 36 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 <sup>(2)</sup>                             | -                                  | 14,090                  | Within 36 months                                   |
| ii.  | Repayment of bank borrowings                             | 12,500   | 12,455 <sup>(2)</sup>                             | (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>(42,610)</u>                    | <u>14,090</u>           |  |

## ADVANCECON HOLDINGS BERHAD

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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 (Cont'd)

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 to day-to-day working capital expenses for payment to suppliers.

#### B8. Group Borrowings and Debt Securities

|                           | <b>Unaudited</b>       | <b>Audited</b>          |
|---------------------------|------------------------|-------------------------|
|                           | <b>As at 30.9.2019</b> | <b>As at 31.12.2018</b> |
|                           | RM                     | RM                      |
| <b><u>Non-current</u></b> |                        |                         |
| Term Loans                | 25,807,388             | 32,842,850              |
| Hire Purchase Payables    | 39,536,459             | 45,947,568              |
| <b><u>Current</u></b>     |                        |                         |
| Term Loans                | 1,108,048              | 2,206,899               |
| Hire Purchase Payables    | 17,921,368             | 15,950,403              |
| Bankers' Acceptances      | 12,158,470             | 12,047,000              |
| Invoice Financing         | 7,536,686              | 16,156,348              |
| Revolving Credit          | 6,000,000              | 3,000,000               |
| Bank Overdrafts           | 4,083,871              | 4,455,541               |
| Bank factoring            | 6,939,380              | 1,815,805               |
|                           | <b>121,091,670</b>     | <b>134,422,414</b>      |

## ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

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

#### B9. Material Litigation

There is no pending material litigation involving the Group pending as at the date of this report, except for the following.

Advancecon Infra Sdn. Bhd. ("Advancecon Infra"), a wholly-owned subsidiary of Advancecon Holdings Berhad in the High Court of Malaya ("the Court") at Shah Alam Civil Suit No. BA-22C-50-11/2018 vs Infra Tech Projects Malaysia Sdn Bhd ("Infra Tech" or "the Defendant")

Advancecon Infra, through its solicitors, Messrs Arthur Wang, Lian & Associates had on 9 November 2018 filed and served a sealed copy of the Writ of Summons together with the Statement of Claim, both dated 2 November 2018 against Infra Tech Projects Malaysia Sdn Bhd (Company No. 654784-A) ("Infra Tech" or "the Defendant").

The filing of the Writ of Summons together with the Statement of Claim arose from Advancecon Infra claim for damage and losses suffered due to Infra Tech's engagement as a sub-contractor by Advancecon Infra under 3 Letters of Award dated 20 January 2017 and 7 February 2017 ("Letters of Award") respectively for the Project known as "Phase 1 Earthwork for Cadangan Serah Balik and Bermilik Semula Dibawah Sekysen 204D Kanun Tanah Negara Untuk Pembangunan Bercampur Perumahan Dan Perniagaan, Di Atas PT8 (H.S.(D) 22218), PT 9 (H.S.(D) 22219) Dan PT20090 (H.S.(D) 244038), Mukim Bukit Raja, Daerah Petaling, Seksyen U12, Shah Alam, Selangor Darul Ehsan ("BS49 Project") which was awarded to Infra Tech.

Due to the alleged breach of the Letters of Award by the Defendant, Advancecon Infra is claiming for the following:-

- (a) A declaration that the Defendant has breached the terms and conditions of all the 3 Letters of Award under the BS49 Project; Award under the BS49 Project;
- (b) A declaration that Advancecon Infra was allowed to make deductions and set off from payments to the Defendant under all the 3 Letters of Award under the BS49 Project;
- (c) A declaration that Advancecon Infra has the right to deduct/set off the total sum amounting to RM1,417,174.75 for the 3 Payment Certificates No. 5, 6 and 7 that are payable to the Defendant by Advancecon Infra;
- (d) The sum of RM1,052,157.69 being the total outstanding balance remedial costs incurred due to the slope failures at HIEDYC and PVD Group Improvement at Show Village Area ("KTA2 Area") and CDYC, PVD and Geogrid Ground Improvement at Phase 1&2 Slope Area ("KTA1 Area");
- (e) Interests on the sum of RM1,052,157.69 at the rate of 5% per annum from the date of this judgement until the date of full and final settlement;
- (f) Solicitors' cost; and
- (g) Such further or other relief as deemed fit by the Court.

The first case management was fixed on 12 December 2018.

## ADVANCECON HOLDINGS BERHAD

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

#### **B9. Material Litigation (Cont'd)**

Advancecon Infra had received the Defence and Counterclaim from the Defendant dated 11 December 2018 and had filed and serve the Reply to Defence and Defence to Counterclaim dated 11 January 2019.

Advancecon Infra had received the sealed Amended Defence and Counterclaim dated 4 February 2019 from the Defendant on 13 February 2019.

Advancecon Infra had filed and served the unsealed Amended Defence and Counterclaim dated 27 February 2019 to the Defendant on 27 February 2019.

The Company announced that further to the case management held on 7 March 2019, the Court directed as follows:-

- (a) The Defendant to file and serve Reply to Amended Defence to Amended Counterclaim on 13 March 2019; and
- (b) Advancecon Infra and Defendant (collectively referred as "the Parties") to file Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, Issues to be Tried, Summary of Case and List of Witnesses before the next date, 29 April 2019.

The Court has fixed next case management on 29 April 2019.

Advancecon Infra had on 13 March 2019 received the Defendant's Reply to Amended Defence to Counterclaim dated 13 March 2019.

Advancecon Infra had received the sealed Notice of Application by the Defendant for application to re-amend Amended Defence and Counterclaim dated 4 February 2019 filed on 10 April 2019. The next date for Case Management is on 29 April 2019.

The Company announced pursuant to the Case Management held on 29 April 2019, the Court has directed as follows:-

- (a) The Defendant to file and serve the Affidavit in Reply in respect of the Defendant's Amendment Application ("Enclosure 20") on or before 13 May 2019; and
- (b) The Advancecon Infra and Defendant to file and serve their respective submissions in respect of Enclosure 20 on or before 27 May 2019.

The next date for Case Management is on 28 May 2019.

## ADVANCECON HOLDINGS BERHAD

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

#### **B9. Material Litigation (Cont'd)**

Advancecon Infra announced that on 27 May 2019, the Plaintiff has been served with a copy of the Corrective Affidavit affirmed on 27 May 2019 by the Defendant.

Pursuant to the Case Management held on 28 May 2019, the Court had directed the Plaintiff and the Defendant to file their written submissions in reply and to exchange and handover a copy to the Court at the next Case Management on 3 June 2019.

In addition, the Hearing of the Defendant's Re-amendment Application/Enclosure 20 has been fixed on 11 June 2019.

Advancecon Infra announced that during the case management held on 3 June 2019, the Plaintiff has filed the submission in reply, exchanged the same with the Defendant's solicitors, and handed a copy of the relevant cause papers to the Court.

The Hearing of the Defendant's Re-amendment Application/Enclosure 20 has been maintained on 11 June 2019.

Pursuant to the Hearing of the Defendant's Re-amendment Application under Enclosure 20 on 11 June 2019, the Company wishes to announce that the High Court allowed the Defendant's Re-amendment Application with costs of RM500.00 payable by the Defendant to the Plaintiff.

The High Court further directed as follows:-

- (a) The Defendant to file and serve the sealed amended defence and counterclaim on or before 25 June 2019;
- (b) The Plaintiff to file and serve the amended reply to amended defence and counterclaim on or before 9 July 2019;
- (c) Both the Plaintiff and the Defendant to file and comply with the pre-trial directions on or before the next Case Management fixed on 19 July 2019; and
- (d) The next Case Management fixed on 19 July 2019.

In compliance with the Judge's direction at the Case Management held on 11 June 2019, the Company wishes to announce that the Plaintiff had on 25 June 2019 received the following documents from the Defendant's solicitors:-

- (a) Sealed Defendant's Re-Amended Defence and Amended Counterclaim;
- (b) Report by Ir. Krishnan Raman, B. Tech, MS, ICE, PE, MASCE of R&A Geotechnics Sdn Bhd dated 24 May 2019; and
- (c) Report by W.L. Addington of TechSol Sdn Bhd dated 21 May 2018.

Pursuant to the Case Management held on 19 July 2019, the Court had directed both the Plaintiff and Defendant to file and comply with the pre-trial directions, i.e. the Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, Agreed Issues and List of Witnesses on or before the next Case Management on 2 August 2019.

Pursuant to the Case Management held on 2 August 2019, Advancecon Infra and Infra Tech have reached an amicable settlement for the above matter. The Parties are to bear their respective costs.

#### **B10 Dividends Declared**

The Board of Directors has declared a first interim single tier dividend of RM 0.006 per ordinary share amounting to approximately RM 2.4 million in respect of financial year ending 31 December 2019, to be paid on 30 December 2019. The ex-date and entitlement date are 4 December 2019 and 6 December 2019 respectively.

## ADVANCECON HOLDINGS BERHAD

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

#### B11. Earnings Per Share

|   | Unaudited<br>9 Months Ended |             |
|---|-----------------------------|-------------|
|   | 30.9.2019                   | 30.9.2018   |
| Profit after tax attributable to the owners of the Company (RM) | 8,215,636                   | 7,732,039   |
| <b>Basic earnings per share</b>                                 |                             |             |
| Weighted average number of ordinary shares                      | 401,487,868                 | 402,079,000 |
| Basic earnings per share (sen) <sup>(1)</sup>                   | 2.05                        | 1.92        |
| <b>Diluted earnings per share</b>                               |                             |             |
| Weighted average number of ordinary shares                      | 402,834,584                 | 422,029,000 |
| Diluted earnings per share (sen) <sup>(2)</sup>                 | 2.04                        | 1.83        |

Notes:

- (1) The basic earnings per share was computed based on profit 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 ESOS are accounted for in the diluted earnings 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.

#### B12. Notes to the Statement of Comprehensive Income

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

|   | Unaudited                          |                                    |
|---|------------------------------------|------------------------------------|
|   | Individual<br>Quarter<br>30.9.2019 | Cumulative<br>Quarter<br>30.9.2019 |
|   | RM                                 | RM                                 |
| Auditors' remuneration  | 27,500                             | 93,000                             |
| Depreciation:   |                                    |                                    |
| - property, plant and equipment   | 6,413,194                          | 19,086,108                         |
| - investment properties   | 143,024                            | 428,980                            |
| - right of use assets   | 5,882.00                           | 5,882                              |
| Directors' remuneration   | 830,084                            | 2,498,803                          |
| Interest expenses   | 1,728,799                          | 5,301,468                          |
| Finance cost-Lease Liability  | 817                                | 817                                |
| Property, plant and equipment written off   | 286                                | 86,964                             |
| Share of result of an equity accounted associate  | 2,534                              | 24,727                             |
| Staff costs   | 12,405,919                         | 37,675,049                         |
| Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up | 146,544                            | 146,544                            |
| Gain on disposal of property, plant and equipment   | (93,506)                           | (26,979)                           |
| Interest income   | (315,563)                          | (1,014,460)                        |
| Dividend income from short -term investments  | (28,697)                           | (118,041)                          |

**BY ORDER OF THE BOARD**  
**21 NOVEMBER 2019**