MULTIPLE PROPOSALS ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") (I) PROPOSED ESOS; AND (II) PROPOSED DIVERSIFICATION (COLLECTIVELY, THE "PROPOSALS")

ADVANCECON HOLDINGS BERHAD

Type	Announcement
Subject	MULTIPLE PROPOSALS
Description	ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") (I) PROPOSED ESOS; AND (II) PROPOSED DIVERSIFICATION (COLLECTIVELY, THE "PROPOSALS")

On behalf of the Board of Directors of Advancecon, TA Securities Holdings Berhad wishes to announce that the Company proposes to undertake the Proposals.

Please refer to the attachment for further details on the Proposals.

This announcement is dated 26 August 2024.

Please refer attachment below.

Attachments

Advancecon- Announcement - Proposals (26 August 2024).pdf
1.7 MB

Announcement Info

Company Name	ADVANCECON HOLDINGS BERHAD
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ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR "COMPANY")

(I) PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OF UP TO 15% OF THE TOTAL NUMBER OF ORDINARY SHARES OF ADVANCECON IN ISSUE ("ADVANCECON SHARES" OR "SHARES") (EXCLUDING TREASURY SHARES, IF ANY) AT ANY ONE TIME DURING THE DURATION OF THE ESOS FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF ADVANCECON AND ITS SUBSIDIARIES ("ADVANCECON GROUP" OR "GROUP") (EXCLUDING DORMANT SUBSIDIARIES AND FOREIGN SUBSIDIARIES INCORPORATED OUT OF MALAYSIA, IF ANY) ("PROPOSED ESOS"); AND

(II) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESSES OF ADVANCECON GROUP TO INCLUDE THE PROPERTY DEVELOPMENT, PROPERTY INVESTMENT, PROPERTY MANAGEMENT AND RELATED BUSINESSES (COLLECTIVELY, "PROPERTY BUSINESSES") ("PROPOSED DIVERSIFICATION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

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1. INTRODUCTION

On behalf of the Board of Directors of Advancecon ("**Board**"), TA Securities Holdings Berhad ("**TA Securities**") wishes to announce that the Company proposes to undertake the Proposals.

Further details of the Proposals are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED ESOS

The Proposed ESOS will involve the granting of options ("**ESOS Options**") to the eligible directors (excluding non-executive directors) ("**Eligible Director(s)**") and eligible employees of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), who meet the criteria of eligibility for participation in the Proposed ESOS ("**Eligible Person(s)**") to subscribe for new Advancecon Shares at a subscription price payable upon exercise of ESOS Options under the Proposed ESOS ("**Option Price**") in accordance with the by-laws governing the Proposed ESOS ("**By-Laws**").

The Proposed ESOS will be administered by a committee to be duly authorised and appointed by the Board ("**ESOS Committee**").

The salient terms and conditions of the Proposed ESOS, which are governed by the By-Laws are as follows:

2.1 Maximum number of new Advancecon Shares available under the Proposed ESOS

The maximum number of new Advancecon Shares, which may be allotted and issued pursuant to the exercise of the ESOS Options granted under the Proposed ESOS shall not, in aggregate, exceed 15% of the total number of issued Shares (excluding treasury shares, if any) at any point in time during the duration of the ESOS ("**Maximum Limit**").

2.2 Basis of allotment and maximum allowable allotment of new Advancecon Shares

Subject to the Maximum Limit and any adjustment which may be made under the By-Laws, the aggregate maximum number of ESOS Options that may be allocated to an Eligible Person at any time in each written offer made by the ESOS Committee to participate in the Proposed ESOS ("**Offer(s)**") shall be determined by the ESOS Committee at its sole and absolute discretion after taking into consideration, amongst other factors, the Eligible Person's employment grade, seniority, designation, length of service, work performance, contribution and potential contribution to the continued success of the Group and/or such other factors that the ESOS Committee may deem relevant, subject to the following conditions:

(i) the allocation to an Eligible Person who, either singly or collectively through Persons Connected (as defined below) with him/her, holds 20% or more of the total number of issued Shares (excluding treasury shares, if any), shall not exceed 10% of the total number of new Shares to be issued under the Proposed ESOS;

(ii) not more than 70% of the total number of Shares available to be issued under the Proposed ESOS shall be allocated, in aggregate, to the Eligible Directors and senior management of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any) who are eligible to participate in the Proposed ESOS;

(iii) the Eligible Directors and senior management of Advancecon Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any) shall not participate in the deliberation or discussion of their own allocation of ESOS Options as well as allocation to Persons Connected with them; and

(iv) any performance target to be achieved before the ESOS Options can be granted and/or exercised by an Eligible Person shall be determined by the ESOS Committee,

provided always that it is in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), or any prevailing guidelines, rules and/or regulations issued by Bursa Securities and/or any other relevant authorities, as may be amended from time to time.

The decision as to whether to stagger the allocation and granting of the ESOS Options to the Eligible Persons during the duration of the ESOS will be determined by the ESOS Committee at a later date. The ESOS Committee may at its sole and absolute discretion decide whether the ESOS Options will be subject to any vesting period, and if so, to determine the vesting conditions, including but not limited to whether such vesting conditions are subject to performance target, all of which will be determined at a later date after the establishment of the ESOS and the formation of the ESOS Committee.

In the event any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of their own allocation of the ESOS Options as well as allocation of the ESOS Options to Persons Connected with him/her.

2.3 Eligibility

Subject to the sole and absolute discretion of the ESOS Committee, only Eligible Persons who fulfil the following criteria as at the date on which an Offer is made to the Eligible Persons by the ESOS Committee to participate in the Proposed ESOS ("**Date of Offer**") shall be eligible to participate in the Proposed ESOS:

(i) in respect of an employee of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), the employee must fulfil the following criteria as at the Date of Offer:

   (a) is at least 18 years of age;

   (b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

   (c) is an employee employed on a full-time basis for at least 6 months (or such other period as may be determined by the ESOS Committee) on the payroll of any company within the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), whose employment has been confirmed, irrespective of whether he/she was transferred to a subsidiary within the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), in which case he/she must have been a confirmed employee in that subsidiary within the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), and has not served a notice of resignation or received a notice of termination;

(d) has not participated in any other employees' share option scheme or employees' share issuance scheme implemented by any subsidiary within the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), which is in force for the time being; and

(e) fulfils such other eligibility criteria and/or falls within such grade or category as may be determined by the ESOS Committee from time to time; and

(ii) in respect of an Eligible Director, the Eligible Director must fulfil the following criteria as at the Date of Offer:

(a) is at least 18 years of age;

(b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(c) has been appointed for at least 6 months (or such other period as may be determined by the ESOS Committee) and remains appointed as an executive director of the Company and/or a subsidiary within the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any);

(d) has not participated in any other employees' share option scheme or employees' share issuance scheme implemented by any subsidiary within the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), which is in force for the time being; and

(e) fulfils such other eligibility criteria and/or falls within such grade or category as may be determined by the ESOS Committee from time to time.

The ESOS Committee may at its sole and absolute discretion determine additional criteria on eligibility and allocation of the ESOS Options to the Eligible Persons from time to time, and such criteria shall be made available to the Eligible Persons. An Eligible Person must fulfil such criteria and/or fall within such category or designation of employment as may be determined by the ESOS Committee, whose decision shall be final and binding. Notwithstanding the above, the ESOS Committee may, at its sole and absolute discretion, waive any of such conditions of eligibility.

If any Eligible Person, who is an Eligible Director, a major shareholder or a chief executive of the Company or its holding company ("**Interested Parties**") or a person connected with any of the Interested Parties ("**Persons Connected**"), is eligible to participate in the Proposed ESOS, the specific allocation of ESOS Options granted by the Company to such Interested Parties and/or Persons Connected with them under the Proposed ESOS must first be approved by the shareholders of the Company at a general meeting, provided that such Interested Parties and/or Persons Connected with them shall not vote on the resolution approving their respective allocation and/or allocation to Persons Connected with them.

Eligibility under the Proposed ESOS shall not confer an Eligible Person a claim or right to participate in or any rights whatsoever under the Proposed ESOS and an Eligible Person does not acquire or have any rights over or in connection with the ESOS Options unless an Offer has been made in writing by the ESOS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the provisions of the By-Laws.

The ESOS Committee shall have the sole and absolute discretion to determine whether an Eligible Person participating in the Proposed ESOS shall at any one point in time participate or be eligible to participate in any other employees' share option scheme or employees' share issuance scheme implemented by any other company within the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any). Such participation shall be subject to the rules and regulations governing employees' share option schemes or employees' share issuance schemes as promulgated by Bursa Securities or any other relevant authorities.

2.4 Option price

Subject to any adjustment made in accordance with the By-Laws and pursuant to the Listing Requirements, the Option Price shall be based on the 5-day volume weighted average market price ("**5D-VWAP**") of Advancecon Shares immediately preceding the Date of Offer, with a discount of not more than 10% (or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS), as determined by the Board upon recommendation of the ESOS Committee. The Option Price as determined by the Board shall be conclusive and binding on all Eligible Persons who have accepted the Offers ("**Grantee(s)**"), subject to any adjustment that may be made in accordance with the By-Laws.

2.5 Ranking of the new Advancecon Shares to be allotted and issued pursuant to the exercise of the ESOS Options

The new Advancecon Shares to be allotted and issued arising from the exercise of any ESOS Options granted under the Proposed ESOS will be subject to the provisions of the Constitution of the Company and shall, upon allotment and issuance, rank equally in all respects with the then existing Advancecon Shares, save and except that the holders of such new Advancecon Shares will not be entitled to any dividends, rights, allotments and/or any other form of distributions that may be declared, made or paid to the Company's shareholders, the entitlement date of which precedes the relevant date of allotment and issuance of such new Advancecon Shares.

2.6 Listing and quotation for the new Advancecon Shares to be allotted and issued pursuant to the exercise of the ESOS Options

An application will be made to Bursa Securities for the listing and quotation for such number of new Advancecon Shares, representing up to 15% of Advancecon's total number of issued Shares (excluding treasury shares, if any), to be issued pursuant to the exercise of the ESOS Options on the Main Market of Bursa Securities.

2.7 Duration of the Proposed ESOS

The Proposed ESOS shall come into force on the date of full compliance with all relevant requirements of the Listing Requirements in relation to the Proposed ESOS ("**Effective Date**").

The Proposed ESOS shall be in force for a period of 5 years from the Effective Date. On or before the expiry of the initial 5-year period, the Proposed ESOS may be extended for a further period of up to 5 years, at the sole and absolute discretion of the Board upon the recommendation of the ESOS Committee, subject always that the initial period and such extension of the Proposed ESOS shall not in aggregate exceed a duration of 10 years (or such other period as may be prescribed by Bursa Securities in compliance with the Listing Requirements or any other relevant authorities) from the Effective Date.

For the avoidance of doubt, no further sanction, approval or authorisation of the Company's shareholders in a general meeting is required for any such extension. In the event the Proposed ESOS is extended in accordance with the provision of the By-Laws, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make the necessary announcements to Bursa Securities within 30 days prior to the expiry of the initial 5-year period.

2.8 Termination of the Proposed ESOS

Subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities' requirements, guidelines or directives, the Proposed ESOS may be terminated by the Company at any time before its expiry without obtaining the approvals or consents from the Grantees or its shareholders, provided that the Company makes an announcement immediately to Bursa Securities.

In the event of termination of the ESOS, the following provisions shall apply:

(i) no further Offers shall be made by the ESOS Committee from the effective date of termination of the Proposed ESOS ("**Termination Date**");

(ii) all Offers which have yet to be accepted by the Eligible Persons shall automatically lapse on the Termination Date;

(iii) all Offers, ESOS Options and/or new Advancecon Shares which have yet to be vested in the Eligible Persons shall automatically lapse on the Termination Date; and

(iv) all outstanding ESOS Options which have yet to be exercised by the Grantees shall automatically lapse on the Termination Date and become null and void.

2.9 Rights of Grantee

The ESOS Options shall not carry any rights to vote at any general meeting of the Company, or to participate in any dividends, rights, allotments or any other form of distributions that may be declared, made or paid, or offer of further securities in the Company, unless and until the Grantee exercises the ESOS Options granted to him/her and the new Shares pursuant to the exercise of the ESOS Options have been allotted and issued to the Grantee.

2.9.1 Retention period

The ESOS Committee shall be entitled to prescribe or impose, in relation to any Offers, any conditions relating to any retention period or restriction on transfer, disposal and/or assignment of the new Advancecon Shares to be issued pursuant to the exercise of the ESOS Options as it deems fit. The new Advancecon Shares to be allotted and issued to the Grantees pursuant to the exercise of the ESOS Options will not be subject to any retention period or restriction on transfer, disposal and/or assignment, unless otherwise stated in the Offer as may be determined by the ESOS Committee from time to time at its sole and absolute discretion. However, the Grantees are encouraged to hold the new Advancecon Shares as investment rather than for any speculative purposes and/or for the realisation of any immediate gain.

2.10 Amendment and/or modification to the Proposed ESOS

Subject to the compliance with the By-Laws and the Listing Requirements and any other relevant rules and regulations, the ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of the By-Laws as it shall at its sole and absolute discretion thinks fit, and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/or delete all or any of the By-Laws upon such recommendation by the ESOS Committee, subject to the Company submitting a letter of compliance together with the amended By-Laws to Bursa Securities each time an amendment and/or modification is made, stating that the amendment and/or modification is in compliance with the provisions of the Listing Requirements and Rules of Bursa Malaysia Depository Sdn Bhd pertaining to the Proposed ESOS.

The approval of shareholders of the Company in a general meeting shall not be required in respect of additions, modifications or amendments to or deletions of the By-Laws, save and except if such additions, modifications or amendments to or deletions would:

(i) materially prejudice any rights which would have accrued to any Grantee without the prior consent of that Grantee;

(ii) increase the number of new Shares available beyond the Maximum Limit under the Proposed ESOS; and

(iii) alter any matters which are required to be contained in the By-Laws by virtue of the Listing Requirements to the advantage of the Eligible Persons, group of Eligible Persons or all the Eligible Persons.

2.11 Alteration of share capital and adjustment

In the event of any alteration in the capital structure of the Company during the duration of the Proposed ESOS, whether by way of a capitalisation issue, rights issue, bonus issue, consolidation or subdivision of Advancecon Shares or capital reduction or any other variation of capital, Advancecon shall cause such adjustment to be made to the number of new Shares comprised in the ESOS Options granted to each Grantee (excluding the ESOS Options already exercised) and/or Option Price in accordance with the provisions of the By-Laws.

2.12 Utilisation of proceeds

The proceeds arising from the exercise of the ESOS Options, if any, will be used as general working capital of Advancecon Group, as and when the proceeds are received throughout the duration of the Proposed ESOS, as the Board may deem fit. The proceeds for general working capital will be utilised to finance the Group's day-to-day general working capital requirements as well as general expenses, including but not limited to staff costs, office rental costs and utilities expenses.

The detailed allocation to each component of working capital cannot be determined at this juncture as these will depend on the timing and the number of ESOS Options granted and exercised at the relevant points of time and the Option Price.

3. PROPOSED DIVERSIFICATION

3.1 Details of the Proposed Diversification

As at 22 August 2024, being the latest practicable date prior to the date of this announcement ("**LPD**"), the Group is principally involved in the following business activities:

(a) earthworks and civil engineering services as well as provision of construction materials, earth-moving machineries and transportation ("**construction and support services**");

(b) development and/or operation of power generation from renewable energy, solar and other renewable energy projects ("**RE**");

(c) construction and refurbishment of centralised labour quarters ("**CLQs**");

(d) property investment services which include sales of investment properties for capital gain and rental of investment properties ("**property investment**"); and

(e) quarry operations.

The financial results for the existing principal business activities of Advancecon Group for the past 3 financial years up to the financial year ended ("**FYE(s)**") 31 December 2023 as well as the 3-month financial periods ended ("**3M-FPE**") 31 March 2023 and 31 March 2024 are as follows:

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Revenue

	(Audited)			(Unaudited)	
	FYE 31 December			3M-FPE 31 March	
	2021	2022	2023	2023	2024
Revenue	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Construction and support services	267,994	282,208	273,328	70,805	46,712
Property investment	607	509	388	94	94
RE	2,201	388	310	76	83
Construction and refurbishment of CLQs	N/A(1)	17	654	63	218
Quarry operations	N/A(1)	139,228	175,085	40,987	46,863
Total	**270,802**	**422,350**	**449,765**	**112,025**	**93,970**

Profit before tax ("PBT") / Loss before tax ("LBT")

	(Audited)			(Unaudited)	
	FYE 31 December			3M-FPE 31 March	
	2021	2022	2023	2023	2024
PBT/LBT	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Construction and support services	4,274	(8,352)	(20,267)	4,915	(15,229)
Property investment	(348)	(699)	(857)	(254)	(239)
RE	51	147	(64)	(24)	(367)
Construction and refurbishment of CLQs	N/A(1)	(90)	(257)	17	(406)
Quarry operations	N/A(1)	(10,140)	(21,164)	(6,086)	3,910
Adjustments and eliminations	-	(50)	(330)	249	(193)
Total	**3,977**	**(19,184)**	**(42,939)**	**(1,183)**	**(12,524)**

Profit after tax ("PAT") / Loss after tax ("LAT")

	(Audited)			(Unaudited)	
	FYE 31 December			3M-FPE 31 March	
	2021	2022	2023	2023	2024
PAT/LAT	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Construction and support services	2,370	(6,041)	(22,301)	3,494	(15,258)
Property investment	(348)	(699)	(857)	(254)	(239)
RE	28	100	(140)	(36)	(390)
Construction and refurbishment of CLQs	N/A(1)	(90)	(281)	8	(406)
Quarry operations	N/A(1)	(11,727)	(22,046)	(6,203)	3,770
Adjustments and eliminations	-	154	(250)	190	(147)
Total	**2,050**	**(18,303)**	**(45,875)**	**(2,801)**	**(12,670)**

(Source: Management of the Company and annual reports or quarterly results of the Group for the respective financial years/periods under review)

Notes:

N/A Not available.

(1) The Company diversified into quarry operations and ventured into the business of construction and management of CLQs during the FYE 2022. Hence the segmental information for such segments are not available for the FYE 2021.

The Group recorded growth in revenue during the financial years under review from RM270.80 million for the FYE 31 December 2021 to RM449.77 million for the FYE 31 December 2023, representing approximately 22.03% average annual growth of revenue per annum in the past 3 FYEs, which is mainly attributed to the construction and support services and quarry operations, in which the Group had diversified into in October 2021. Despite the Group's growth in revenue, the Group's existing businesses have also recorded increased LAT due to the unfavourable financial performance of these business segments.

The Group's financial performance for the FYE 31 December 2023 and the 3M-FPE 31 March 2024 was affected by, amongst others, the following factors which are beyond the control of the Group:

(i) Significant increase in costs of construction materials

The construction industry is heavily affected by rise in the costs of construction materials. Despite the increase in revenue in the FYE 31 December 2023 compared to the FYE 31 December 2022, the significant increase in the prices of construction materials such as steel, cement and sand had a direct impact on the Group's cost of sales and caused the Group's construction and support services segment to register the highest LAT amongst its existing businesses for the FYE 31 December 2023 and the 3M-FPE 31 March 2024.

The price surge of such materials, driven by global supply chain disruptions and heightened demand, has led to increased project costs for various construction projects.

(ii) Extended completion timeframes of several construction projects

The Group had faced delays in the completion of several key construction projects including the West Coast Expressway ("**WCE**") and the East Coast Rail Line ("**ECRL**"), as the project timelines were extended beyond the initially planned schedules. These delays were attributed to various factors including supply chain disruptions, labour shortages and adverse weather conditions. The extended timeframes led to increased overheads and additional costs, thereby impacting the Group's financial performance and straining available financial resources, further exacerbating the losses in the construction and support services segment.

(iii) Impact of impairments and tribute payments on the quarry operations segment

The quarry operations segment was significantly affected by impairments and recurring tribute payments for mining rights. These factors, combined with operating losses, contributed to the significant LAT recorded in the quarry operations segment and had a substantial negative impact on the Group's overall financial performance for the FYE 31 December 2021 to the FYE 31 December 2023. The quarry operations segment realised a PAT of RM3.77 million during the 3M-FPE 31 March 2024, mainly due to a one off non-operating gain from the disposal of quarry assets amounting to RM4.60 million.

In view of the above factors, Advancecon has embarked on various strategic initiatives, including public-private partnerships and collaborations with state development entities to venture into the refurbishment, renovation and management of CLQs in the state of Perak ("**Proposed CLQ Development**") as well as into the property development projects in the Silver Valley Technology Park Industrial Hub ("**SVTP Industrial Hub**") ("**Proposed Joint Development**"). Further details of the Proposed CLQ Development and the Proposed Joint Development are set out in Sections 3.2 and 3.3 of this announcement. The Proposed CLQ Development and the Proposed Joint Development shall be collectively known as the "**Proposed Developments**".

In view that the Proposed Developments represent a significant milestone for Advancecon Group to venture into the Property Businesses, the Board expects that the Property Businesses and related activities may contribute more than 25% of the net profits of the Group or cause a diversion of more than 25% of its net assets ("**NA**") moving forward. Accordingly, the Board proposes to seek approval from the shareholders of Advancecon for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements, at an extraordinary general meeting of the Company ("**EGM**") to be convened.

The Proposed Diversification represents a strategic plan to diversify into the Property Businesses, whereby the Group aims to reduce reliance on its existing businesses and align with longer-term goals for sustainable development that would enhance shareholders' value in the long run by expanding its revenue and earnings base.

Notwithstanding the Proposed Diversification, the Board will continue with the existing businesses of the Group in the same manner. The Board will continuously review the Group's business operations from time to time with the intention of improving the Group's financial performance and position.

3.2 Details of the Proposed CLQ Development

On 10 November 2022, Advancecon entered into a collaboration agreement with Perak State Development Corporation (Perbadanan Kemajuan Negeri Perak) ("**PKNPk**") ("**CA**"), to undertake the refurbishment, upgrading and repair works ("**Refurbishment Works**") on an existing 4-storey apartment building block, namely Asrama Murni Block B ("**Asrama Murni Block B**"), constructed on the leasehold land held under Lot 220043 PN 145523, measuring approximately 1.806 acres located along Persiaran Jelapang 4, Jelapang, Ipoh, District of Kinta in the State of Perak into dormitory styled accommodations. PKNPk is the registered proprietor of the leasehold land.

On 1 December 2022, PKNPk subsequently announced that it has initiated its pilot project for the development of CLQs in the state of Perak with the aim of supporting the growth rate of Perak's industrialisation and economic development. The development of CLQs provides essential infrastructure to accommodate the requisite workforce to drive industrial activities and offers improved living standards for industrial workers living in the state of Perak by ensuring safe, healthy and regulated living conditions.

In addition, Advancecon and PKNPk agreed under the CA that they are keen to collaborate and jointly undertake the Proposed CLQ Development at such other strategic locations in the state of Perak ("**Strategic CLQ Developments**") to meet the needs of industrial manufacturers in the state of Perak.

Based on the terms of the CA, a new joint venture company ("**JVC**") has been jointly incorporated and the final terms and conditions for the Proposed CLQ Development and the JVC has been recorded and reflected in the JVSA (as defined below).

Pursuant to the scope of the Refurbishment Works as set out in the CA, Advancecon and PKNPk agreed that:

(i) the Refurbishment Works undertaken by Advancecon shall be in full compliance with all regulations, directives, bylaws and statutes of Malaysia and meet all requirements of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("**Act 446**") and any amendment made thereto from time to time; and

(ii) the total costs and expenses in respect of the Refurbishment Works shall be solely borne by Advancecon.

In March 2023, the Refurbishment Works for the Asrama Murni Block B were completed and the Asrama Murni Block B was subsequently converted into fully operational CLQs in full compliance with the provisions of Act 446. Subsequently, on 31 May 2023, PKNPk and Advancecon executed an addendum letter to the CA ("**Addendum**") for Advancecon to further undertake the Refurbishment Works on another existing 4-storey apartment building block adjacent to Asrama Murni Block B and located on the same leasehold land, namely Asrama Murni Block A ("**Asrama Murni Block A**") into CLQs. In August 2023, the Refurbishment Works for the Asrama Murni Block A had been completed and converted into CLQs in full compliance with the provisions of Act 446.

The salient terms of the CA and the Addendum are set out in **Appendix I** of this announcement.

The success of the CLQ projects in Asrama Murni Block A and Asrama Murni Block B (collectively, "**Asrama Murni CLQs**") will be used as a benchmark model to undertake the Strategic CLQ Developments.

On 15 July 2024, Advancecon Ventures Sdn Bhd ("**AVSB**"), a wholly-owned subsidiary of the Company entered into a joint venture cum shareholders' agreement with Perak Equity Sdn Bhd ("**PESB**"), a wholly-owned subsidiary of PKNPk ("**JVSA**") to set out:

(i) the final terms and conditions for the Proposed CLQ Development;

(ii) the terms regulating the business and affairs of CLQ Silvervalley Sdn Bhd ("**CLQSSB**"), being the JVC jointly incorporated by AVSB and PESB to undertake the Proposed CLQ Development; and

(iii) the terms regulating their respective rights and obligations as shareholders of CLQSSB, with AVSB and PESB holding 70% and 30% equity interest in CLQSSB, respectively.

Pursuant to the JVSA, the Group is intended to generate revenue through the development of the Strategic CLQ Developments as well as obtaining rental income from the operation and maintenance of CLQs.

The Group has identified several strategic locations for the Strategic CLQ Developments for the lands owned by PKNPk, including:

(i) a parcel of leasehold land measuring 15.117 acres held under Lot No. 264, PN 339806, Seri Iskandar, District of Perak Tengah, State of Perak ("**Seri Iskandar Land**");

(ii) a parcel of leasehold land measuring approximately 3.776 acres held under HS(D) 33743, PT No. 25932 in Kamunting, Mukim of Asam Kumbang, District of Larut Matang and Selama, State of Perak ("**Kamunting Land**"); and

(iii) 2 parcels of leasehold lands measuring approximately 4.613 acres, with 2 blocks of buildings designated as Asrama Murni Block C and Block D held under Lot 220043 PN 145523, and Lot 196934 PN 123087, both located at Jelapang, Ipoh, District of Kinta, State of Perak (collectively, "**Asrama Murni Land**").

The Group intends to undertake Strategic CLQ Developments on the above locations which are expected to house up to 12,000 workers, with an aim to address the growing demand for compliant and high-quality worker accommodations in the state of Perak.

The salient terms of the JVSA are set out in **Appendix II** of this announcement.

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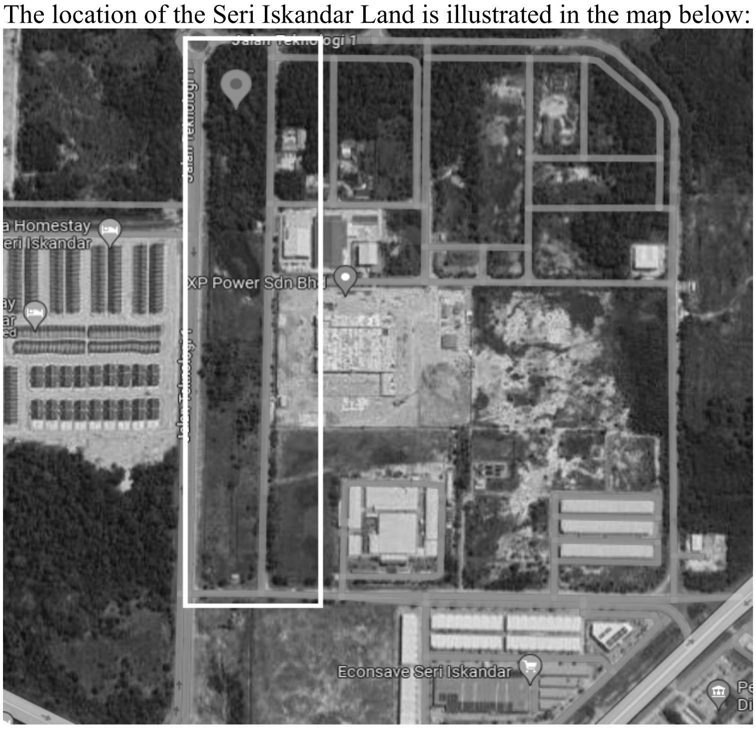
The location of Asrama Murni Blocks A, B, C and D are illustrated in the map below:

(Source: Management of the Company)

The location of the Seri Iskandar Land is illustrated in the map below:



(Source: Management of the Company)

The location of the Kamunting Land is illustrated in the map below:

(Source: Management of the Company)

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Further details of the Proposed CLQ Development are summarised in the table below:

Name	**Seri Iskandar Land**	**Kamunting Land**	**Asrama Murni Land**
Developer Lot/PT No.	Lot No. 264	PT No. 25932	Lot 196934 & Lot 220043
Title particulars	PN 339806 Bandar Seri Iskandar District of Perak Tengah State of Perak	H.S.(D) 33743 Mukim of Asam Kumbang District of Larut Matang and Selama State of Perak	PN 123087 & PN 145523 District of Kinta State of Perak
Land Area	Approximately 15.117 acres	Approximately 3.776 acres	Approximately 4.613 acres
Category of land use	Building	Industrial	Building
Express conditions	Building – businesses and institutions	Light industrial	Residential – hostel
Tenure	30-year leasehold expiring on 13 March 2031 (with an unexpired term of about 7 years)	99-year leasehold expiring on 6 June 2117 (with an unexpired term of about 93 years)	94-year leasehold expiring on 20 July 2091 (with an unexpired term of about 67 years)
Restriction-in-interest	This land shall only be transferred, leased or charged to persons approved by the State Authority in writing *(Tanah ini hanya boleh dipindahmilik, dipajak atau digadai kepada orang yang diberi kebenaran bertulis oleh Pihak Berkuasa Negeri)*		
Registered owner	PKNPk		
Encumbrances	Nil		

(Source: Management of the Company)

3.2.1 Source of funding for the Proposed CLQ Development

The costs for the Refurbishment Works (including operational expenses) as at 31 March 2024 for Asrama Murni CLQs are approximately RM4.00 million and have been fully funded by AVSB's internally-generated funds. The funding for the Proposed CLQ Development is expected to be funded by AVSB via its internally-generated funds and/or bank borrowings.

3.2.2 Liabilities to be assumed by the Group arising from the Proposed CLQ Development

Save for the obligations set out in the CA and the JVSA, there are no other liabilities (including contingent liabilities) and/or guarantees to be assumed by the Group arising from the Proposed CLQ Development.

3.2.3 Additional financial commitment required for the Proposed CLQ Development

Save for the funding required for the Proposed CLQ Development, the details of which are yet to be determined at this juncture, the Group is not expected to incur any other additional financial commitment in relation to the Proposed CLQ Development.

3.2.4 Counterparty of the Proposed CLQ Development

The counterparty of the Proposed CLQ Development is PKNPk.

PKNPk, is a body corporate established under the Perak State Development Corporation Enactment 1967 Bill No. 3/1967 (as revised by the Perak State Development Corporation Enactment 1967 (Revised - 2019) [Enactment 14]). PKNPk was mandated with the objectives below:

(a) to boost economic and socio-economic development of the state of Perak;

(b) to accelerate industrial and commercial development in the state of Perak through a variety of investment portfolios; and

(c) to act as the catalyst for private investments in the state of Perak.

As at the LPD, the directors of PKNPk are as follows:

(i) Yang Amat Berhormat Dato' Seri Haji Saarani Bin Mohamad;

(ii) Yang Berhormat ("**YB**") Dato' Ahmad Suaidi Bin Abdul Rahim;

(iii) YB Dato' Azmir Shah Bin Zainal Abidin;

(iv) YB Dato' Mohd Zaki Bin Mahyudin;

(v) YB Tuan Loh Sze Yee;

(vi) YB Tuan Mohd Azlan Helmi Bin Helmi;

(vii) YB Tuan Ishsam Bin Shahruddin;

(viii) Yang Berbahagia ("**YBhg**") Dato' Haji Mohamad Fariz Bin Mohamad Hanip;

(ix) Yang Berusaha ("**YBrs**") Tuan Jaya Singam A/L A. Rajoo;

(x) YBrs Puan Hidah Binti Misran;

(xi) YBrs Dr Nirwan Bin Noh; and

(xii) YBhg Dato' Mohd Azmi Bin Haji Othman.

(Source: Official website of PKNPk accessed on the LPD)

The directors of PKNPk are not related to any of the Directors, major shareholders or chief executive of the Company or persons connected with them and do not have any substantial shareholdings in the Company as at the LPD.

3.3 Details of the Proposed Joint Development

On 12 August 2022, Perak Corporation Berhad ("**Perak Corp**"), a 52.27% owned subsidiary of PKNPk, entered into a memorandum of understanding with PKNPk to explore the proposed collaboration between Perak Corp and PKNPk involving amongst others, the utilisation of Perak Corp's expertise to develop a number of PKNPk's strategic landbanks. On 31 March 2023, Perak Corp and PKNPk entered into a master development agreement ("**MDA**") setting out the general and overarching terms and conditions for the proposed collaboration between Perak Corp and PKNPk in relation to the development initiatives listed in the MDA, including but not limited to the proposed development of the SVTP Industrial Hub.

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On 8 January 2024, Perak Corp and PKNPk entered into a joint venture agreement (“**JVA”)** whereby Perak Corp and PKNPk agreed to collaborate with each other to jointly carry out the proposed development of the SVTP Industrial Hub. Pursuant to the JVA, Perak Corp is required to appoint a strategic partner for the implementation and carrying out of the construction works of the roads and related ancillary works, side tables of the roads, drains, sewerage systems, gas and water reticulation systems, electrical cables, street lightnings, water pipes, telephone cables, sewer lines, manholes and covers and any other related ancillary work (“**Main Infrastructure**”) to be construed, laid upon or installed upon the area measuring approximately 746.73 acres and held under 39 parcels of lands in Mukim of Hulu Kinta, District of Kinta, State of Perak (“**Subject Sites**”), as approved by all relevant authorities.

As part of its future plans to diversify into the Property Businesses, Advancecon announced on 8 January 2024, that its indirect wholly-owned subsidiary, Advancecon Development Sdn Bhd (“**ADSB**”) had entered into a joint development agreement (“**JDA**”) with Perak Corp for the joint development of the Main Infrastructure for the SVTP Industrial Hub (“**Development**”).

Pursuant to the terms of the JDA:

(i) PKNPk is entitled to a sum equivalent to RM9.70 per square foot of each of the industrial lots completed with the Main Infrastructure (excluding the PKNPk’s reserved lands) (“**Industrial Lot(s)**”) sold to end-users, subject to applicable deductions pursuant to the terms of the JDA (“**PKNPk’s Basic Revenue Share**”);

(ii) ADSB is fully responsible for the funding of PKNPk’s Basic Revenue Share, construction costs of the Development, fees for the professional persons employed for the Development (excluding penalties, liquidated damages or other amounts withheld from payment to contractors) (“**Development Cost**”);

(iii) subject to full payment of the Development Cost, Perak Corp is entitled to a sum equivalent to 35% of the Gross Development Value (“**GDV**”) of the Development less the Development Cost before tax (“**Nett Development Value**”) (“**Perak Corp’s Revenue Share**”); and

(iv) subject to the full payment of the Development Cost, PKNPk’s Basic Revenue Share and Perak Corp’s Revenue Share, ADSB is entitled to a sum equivalent to 65% of the Nett Development Value.

The Subject Sites together with 2 parcels of vacant commercial land are all located in Mukim of Hulu Kinta, District of Kinta, State of Perak. The Subject Sites are rectangular and irregular in shapes and encompasses a total provisional land area of 746.73 acres or 32,527,558.80 square feet. The Subject Sites and its surrounding areas are generally flat, hilly, sloping and undulating in terrain.

The Subject Sites are easily accessible from Chemor town via Jalan Kuala Kangsar. The Subject Sites are also accessible from Ipoh City via Jalan Panglima Bukit Gantang Wahab, Jalan Kuala Kangsar and Persiaran Perindustrian Kanthan 1. The Subject Sites are strategically positioned near the Kanthan Industrial Park, which is equipped with essential infrastructure and facilities. Additionally, the Subject Sites are in close proximity to other industrial schemes, including D.T.I. Industrial Park Chemor and Seramik Industrial Area to the south and Sungai Siput Industrial Area to the north. The immediate locality features a mix of industrial, residential and commercial developments, including vacant industrial lands, detached factories, single, double-storey terraced houses, single and double-storey detached houses as well as double-storey terraced shophouses or offices.

The salient terms of the JDA are set out in **Appendix III** of this announcement.

(Source: Management of the Company)

The location of the SVTP Industrial Hub is illustrated in the map below:

(Source: Management of the Company)

Further details of the Subject Sites are summarised in the table below:

Name	**SVTP Industrial Hub**
Land Area	Approximately 746.73 acres or 32,527,558.80 square feet
Category of land use	Lot PT No. 253406, Lot PT No. 23416 & Lot PT Nos. 253418 to 253450 (Industrial) Lot PT Nos. 253457 & 253458 (Commercial)
Express conditions	Industrial and commercial
Tenure	99-year leasehold expiring on 28 June 2112 (with an unexpired term of about 88 years)
Restriction-in-interest	This land shall only be transferred, leased or charged to persons approved by the State Authority in writing *(Tanah ini hanya boleh dipindahmilik, dipajak atau digadai kepada orang yang diberi kebenaran bertulis oleh Pihak Berkuasa Negeri)*
Registered owner	PKNPk
Encumbrances	Nil
Total estimated GDV (RM'000)	1,032,755
Total estimated gross development cost (RM'000)	716,960
Estimated commencement and completion dates of the Proposed Joint Development	5 years from date of commencement

(Source: Management of the Company)

3.3.1 Source of funds for the Proposed Joint Development

The funding for the Proposed Joint Development is expected to be funded via internally-generated funds as well as bank borrowings.

3.3.2 Liabilities to be assumed by the Group arising from the Proposed Joint Development

Save for the obligations and liabilities set out in the JDA, there are no other liabilities (including contingent liabilities) and/or guarantees to be assumed by the Group arising from the Proposed Joint Development.

3.3.3 Additional financial commitment required for the Proposed Joint Development

Save for the funding required for the Proposed Joint Development, the details of which are yet to be determined at this juncture, the Group is not expected to incur any other additional financial commitment in relation to the Proposed Joint Development.

3.3.4 Counterparties of the Proposed Joint Development

The counterparties of the Proposed Joint Development include Perak Corp and PKNPk, with further details of Perak Corp set out below:

Perak Corp is a public listed company on the Main Market of Bursa Securities, which is engaged in property and investment holding, real property development and provision of management services.

As at the LPD, the directors of Perak Corp (all of whom are Malaysians) are Datuk Redza Rafiq Bin Abdul Razak, Andy Liew Hock Sim, Tan Chee Hau, Ahmad Yani Bin Aminuddin, Faizul Hilmy Bin Ahmad Zamri, Dato' Seri Ir. Mohamad Othman Bin Zainal Azim, Datuk Seri Dr. Hj Hasim Bin Hasan and Noor Azlin Binti Zainal Abidin. None of the directors of Perak Corp hold shares in Perak Corp.

As at the LPD, the substantial shareholders of Perak Corp as well as their respective shareholdings are as follows:

	Direct		**Indirect**	
Name	**No. of shares**	**%**	**No. of shares**	**%**
PKNPk	52,271,253	52.27	627,150	0.63[(1)]
Sime Darby Property Berhad	6,125,000	6.13	-	-

Note:

(1) Deemed interested by virtue of its direct and indirect interests in its subsidiaries, namely Fast Continent Sdn Bhd, Cherry Blossom Sdn Bhd and PESB's shareholdings in Perak Corp pursuant to Section 8 of the Companies Act 2016.

(Source: Annual Report 2023 of Perak Corp)

The directors and substantial shareholders of Perak Corp are not related to any of the Directors, major shareholders or chief executive of the Company or persons connected with them and do not have any substantial shareholdings in the Company as at the LPD.

3.4 Key management personnel

The Group has identified Dato' Phum Ang Kia ("**Dato' Phum**") to oversee the operations of the Property Businesses and he is supported by Datuk Hoe Mee Ling ("**Datuk Hoe**") and Tan Chee Keong, who will spearhead the operations of the Property Businesses. Their profiles are set out below:

(i) Dato' Phum

Dato' Phum, a Malaysian aged 66, is an Executive Director and the Group Chief Executive Officer of Advancecon since his appointment on 9 April 1997. Dato' Phum attended his secondary education at Sekolah Menengah Jenis Kebangsaan Chong Hwa, Kuala Lumpur in 1975. He began his career as an apprentice with Nam Leong Enterprise immediately after he completed his secondary education in 1975, where he was responsible for handling sales and delivery of motor vehicles spare parts.

In 1976, he left Nam Leong Enterprise and joined See Yong & Sons Sdn Bhd, a Marine and Civil Engineering Contractor as Supervisor where he was involved in various civil engineering projects while assisting his family to set up their family business. In 1978, he left See Yong & Sons Sdn Bhd and joined his family business, Soon Kim Trading & Engineering, which was primarily involved in the operation and rental of heavy machinery and equipment, where he oversaw the on-site operation and maintenance services of heavy machinery and equipment.

Dato' Phum has been the driving force of Soon Kim Trading & Engineering which was subsequently incorporated as a private limited company in 1990 under the name of Pembinaan Sin Soon Kim Sdn Bhd where he was a co-founder and subsequently changed its name to Advancecon Infra Sdn Bhd ("**AISB**") (now a wholly-owned subsidiary of Advancecon) in 2010 which mainly involved in civil engineering services include, the construction of main drains, road works and sewerage systems and hiring services of heavy machinery and equipment.

He was instrumental in the incorporation of Advancecon Group via an internal reorganisation exercise in 2010 and the subsequent listing of Advancecon on the Main Market of Bursa Securities on 19 June 2017.

Dato' Phum is responsible for the Group's property business development operations, which includes setting the Group's business operations, formulating corporate development plans and driving business growth. In addition, he is also involved in overseeing the daily on-site operations and contracts and operations related matters. Dato' Phum has approximately 41 years of working experience in the construction and property development industry.

(ii) Tan Chee Keong

Tan Chee Keong, a Malaysian aged 44, is the Chief Financial Officer of the Group since his appointment on 2 May 2024. On 1 August 2024, he was appointed as an Executive Director of the Company. He obtained BSc. (Hons) in Applied Accounting from Oxford Brookes University, Oxford, United Kingdom in 2002 and was admitted as a Fellow Member of the Association of Chartered Certified Accountants in 2010.

In 2000, he began his accounting career and was subsequently involved in corporate finance and business advisory related works. In 2007, he joined Usaha Tegas Sdn Bhd ("**UTSB**") where he was responsible for treasury operations, corporate finance and development of corporate strategies with notable achievements, including the execution of a multi-billion United States Dollar refinancing package for Malaysia's largest telecommunication companies, a multi-billion United States Dollar privatisation of some of the largest power and gaming, pay television and satellite public listed companies, as well as the Initial Public Offerings ("**IPOs**") of some of the largest telecommunications and pay television companies in Southeast Asia.

In 2010, he left UTSB and joined Tael Partners Ltd ("**Tael**"), an investment firm as a Vice President where he was involved in private equity and structured finance transactions. Towards the end of 2011, he left Tael. In May 2012, he joined Maybank Investment Bank Berhad as an Associate Director in Equity Capital Markets, where he was involved in the management and execution of IPOs, share placements and rights issue until June 2014. Thereafter, through Gewinnt Capital Sdn Bhd, a consulting firm which he owned, he was involved in corporate finance and mergers and acquisitions until December 2018.

From January 2019 to April 2024, he was appointed as the Group Chief Financial Officer of BON Estates Sdn Bhd ("**BON Estates**"), a diversified property group, where he oversaw the financial management and strategic planning for several property development projects undertaken by BON Estates with a GDV of approximately RM2.0 billion.

As at the LPD, he is also an Independent Non-Executive Director and Audit Committee Chairman of ACME Holdings Berhad, a property developer listed on the Main Market of Bursa Securities since his appointment in May 2019.

(iii) **Datuk Hoe**

Datuk Hoe, a Malaysian aged 54, was appointed as the Chief Executive Officer of ADSB on 22 January 2024. She graduated with a Bachelor of Business Administration (first class honours), majoring in marketing from Northern University of Malaysia in 1995.

Upon her graduation in 1995, she started her career with IOI Properties Berhad as a sales and marketing executive, where she was involved in the sales, marketing and branding of township and golf course developments in the state of Johor.

In 1997, she left IOI Properties Berhad and joined S P Setia Berhad ("**SPSB**") for the Southern Property Division of SPSB, taking charge of the residential, commercial and business park developments of SPSB. She spearheaded the development of SPSB in Bandar Iskandar, Johor and one of her projects, Setia Eco Gardens was conferred the International Real Estate Federation Prix d' Excellence Award in 2009 and 2012. She was also responsible for overseeing the property development operations of SPSB in Singapore and Jakarta.

In 2014, she left SPSB and joined Eco World Development Group Berhad ("**Eco World**") as a Divisional General Manager, where she oversaw the strategic planning and developments for Eco World industrial and business parks, high end township developments as well as sales of overseas projects in the United Kingdom and Australia via her sales office in Singapore. Her expertise encompasses a wide spectrum, including residential, commercial and industrial developments, with over 29 years of diverse experience in property development and investment.

Moving forward, upon successful implementation of the intended expansion of the Group's business to include the Property Businesses, the Group intends to continue recruiting more staff with the necessary technical expertise as and when required in tandem with the growth of the Property Businesses. Additionally, the Group intends to utilise its existing staff from the construction segment, who possess technical and operational expertise in property development, to support and expand this new business venture. The synergy between the existing construction staff and the newly recruited property development staff will enhance the Group's ability to efficiently manage and grow its Property Businesses.

Based on the above, the Board believes that, by leveraging on the expertise of the aforesaid key management personnel, the Group has the capability, capacity and resources to diversify into the Property Businesses.

4. RATIONALE FOR THE PROPOSALS

4.1. Proposed ESOS

The Proposed ESOS is intended to achieve the following objectives:

(i) to drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives;

(ii) to reward the Eligible Persons in recognition of their accumulated contribution to the operations and continued growth of the Group;

(iii) to retain the Eligible Persons by giving them a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company and thereby provides an incentive for the Eligible Persons to participate in the future growth of the Group and motivate them towards better performance through greater productivity and loyalty;

(iv) to align the interests of the Eligible Persons, including management personnel of the Group, with the interests of the shareholders via direct participation in the equity of the Company; and

(v) to attract and retain high-calibre Eligible Persons, as well as mitigating and reducing the risk of loss of key personnel.

4.2 Proposed Diversification

In view of growing demand within the property industry, the Proposed Diversification is expected to improve the financial performance and financial condition of the Group in the long run and the management is cautiously optimistic of the long-term prospects associated with the expansion of the Group to include the Property Businesses as part of its business activities.

Premised on the above, the Group is of the view that the Proposed Diversification provides the Group with an additional stream of income and is expected to augur well in the overall structure of the Group's existing businesses moving forward and at the same time reduce its reliance on the Group's existing businesses.

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

5. PREVIOUS FUND-RAISING EXERCISE

The Company had not undertaken any fund-raising exercise in the past 12 months prior to the date of this announcement.

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6. RISK FACTORS OF THE PROPOSED DIVERSIFICATION

6.1 Business diversification risk

The Proposed Diversification may expose the Group to risks inherent in the Property Businesses, which include, competition from existing and established property developers as well as new market entrants to the property development industry, changes in the supply and demand of properties, changes in the regulatory framework relating to property development, increase in building materials or labour costs, downturns in the global, regional and/or national economies, changes in law and tax regulations and changes in business and credit conditions.

Nonetheless, the Group will conduct periodical reviews of its businesses and operations as well as adopt prudent financial management and efficient operating procedures to limit the impact of the aforementioned risks. However, there can be no assurance that the Group may be able to successfully mitigate the various risks inherent in the Property Businesses and if unable to do so, the business operations and financial performance of the Group may be adversely affected.

6.2 Fluctuations on construction material prices

The construction materials and other related supply which will be used for the Group's Proposed Developments which consist of, amongst others, industrial diesel, precast products, quarry products, premix products and ready-mix concrete products, in which industrial diesel in particular, is a controlled item whereby its price is controlled by the Malaysian government on a weekly basis and may, to a certain extent, be affected by the fluctuation in global market prices.

All construction materials are locally sourced. Hence, the increase in the prices or unavailability of these construction materials or supply in the local market may result in an increase in the overall operational costs of the Property Businesses, which may adversely affect the Group's financial performance.

6.3 Borrowings and financing risks

The Group's ability to expand its business operation in the Property Businesses is dependent upon continued capital expenditures, which include the purchase of heavy machinery and equipment. As such, the Group will need to raise sufficient financing, either in the form of external debt financing, equity financing and/or internally generated cash flows. Although the Group has not encountered any difficulties with its financiers nor defaulted in any of its borrowing repayments, there can be no assurance that the Group will not be exposed to financing risks, which may have an adverse impact on the Group's financial performance.

6.4 Competition risk

Being a new entrant into the Property Businesses, the Group faces competition from both new entrants and existing players in the Property Businesses which may be capable of offering similar services. There is no assurance that the Group will be able to compete against current and future competitors or that competitive pressure will not materially and adversely affect the businesses, operations or financial condition of the Group.

Nonetheless, the Group will take proactive measures to remain competitive in the Property Businesses by, amongst others, constantly keeping abreast with the latest market conditions and making efforts in maintaining a competitive edge in terms of cost efficiency, service quality, product quality and reliability.

6.5 Dependency on key personnel

The success of the Property Businesses depends largely on the skills, abilities, competencies and continued effort of its experienced personnel. The sudden departure of the said personnel without suitable and timely replacement, or the inability of the Group to attract and retain other qualified personnel, may adversely affect the Group's Property Businesses and consequently, the Group's revenue and profitability.

Notwithstanding the above, the Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and retain their services. Suitable professional(s) and/or consultant(s) will be engaged in the areas necessary for the implementation and/or execution of the Board's strategy for the Property Businesses to manage the risk arising from dependency on key personnel.

6.6 Political, economic, market and regulatory risks

Any adverse development in the political situation and economic uncertainties in Malaysia could materially and adversely affect the financial performance of the Group despite the Group taking necessary measures, amongst others, keeping abreast with local policies and laws as well as seeking professional legal advice prior to committing to new projects.

Any change in the political situation and/or government policies in Malaysia may also affect the business of the Group. Political and regulatory changes such as introduction of new laws and regulations which impose and/or increase on imports, imposition of capital controls and changes in interest rates or taxes will impact the Group's business, financial conditions, prospects and results of operations. Other adverse political situations include the risks of wars, terrorism, nationalisation and expropriation which may also affect the performance of the Group.

In mitigating such risks, the Group will continuously review its business strategies in response to the changing dynamics of the economic and regulatory conditions but there can be no assurance that it will not materially affect the performance of the Group.

7. INDUSTRY OUTLOOK AND PROSPECTS OF THE GROUP

7.1 Overview and outlook of the Malaysian economy

Going forward, growth of the Malaysian economy will be driven mainly by resilient domestic expenditure, with additional support from exports recovery. Household spending will be supported by sustained growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, investment activities will be supported by continued progress of multi-year projects in both the private and public sectors and augmented by the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of approved investments.

For 2024, headline and core inflation are projected to remain moderate averaging from 2% to 3.5% and 2% to 3%, respectively. The wider forecast range has incorporated some potential upside on inflation that could arise from the implementation of subsidy rationalisation. The outlook for the rest of the year is dependent on the implementation of domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

*(Source: BNM Quarterly Bulletin Vol. 39 No. 1 for the First Quarter of 2024, Bank Negara Malaysia ("**BNM**"))*

Malaysia's economy is projected to grow between 4.0% and 5.0% in 2024, supported by continued domestic demand growth and increasing external demand, according to BNM. Tourism is projected to continue its recovery, further bolstering the economy, while investment activity will benefit from the implementation of ongoing and new multi-year projects undertaken by both the public and private sectors. Domestic demand is expected to remain the main driver of growth in 2024, with household spending projected to grow at a faster rate than in 2023, supported by improved labour market conditions due to higher income growth and targeted government assistance. Most sectors are expected to grow in 2024, with the services and manufacturing sectors being the main drivers of the overall growth. The service sector is expected to grow primarily driven by an increase in business-related subsectors. The recovery in external demand and the continued implementation of private and public construction projects will support the real estate and business services subsectors as well as the transportation and storage subsectors.

*(Source: Malaysian Economic Statistics Review Vol. 3 2024, Department of Statistics Malaysia ("**DOSM**"))*

7.2 Overview and outlook of the property investment industry

Malaysia

The property market has gradually increased in 2023, higher after the downturn in 2020 due to the coronavirus disease 2019 ("**COVID-19**") pandemic. A total of 399,008 transactions worth RM196.83 billion were recorded, each showing an increase of 2.5% and 9.9% respectively compared to 2022, which recorded 389,107 transactions worth RM179.07 billion. Of the total transactions, 77.7% (309,861 transactions) and 18.6% (74,405 transactions) were transfers dated in 2023 and 2022 respectively while the remaining percentage share was for prior years' transfers.

Sectoral market activity performance showed upward movements. Residential, commercial, industrial and development land sub-sectors recorded year-on-year growths of 3.0%, 23.3%, 0.9% and 5.0% respectively, whereas agricultural sub-sector recorded otherwise, declined by 7.8% in volume.

Value of transactions recorded higher increase for all subsectors i.e. residential, commercial, industrial, agriculture and development land and others, each at 7.1%, 17.5%, 13.1%, 4.6% and 13.8% respectively.

Residential sub-sector led the overall property market, with 62.8% contribution in volume. This was followed by agriculture (19.0%), commercial (10.1%), development land and others (6.1%) and industrial (2.0%). Similarly in value, residential took the lead with 51.3% share, followed by commercial (19.5%), industrial (12.2%), agriculture (9.5%) and development land and others (7.5%).

There were 250,586 transactions worth RM100.93 billion recorded in 2023, a marginal increase of 3.0% in volume and 7.1% in value as compared to 2022.

As the national economy is projected to remain in the range of 4.0% to 5.0% in 2024 which supported by resilient domestic growth prospects, the property market performance is expected to remain cautiously optimistic given the unpredictable external environment. The accommodative policies, continuous government support, well-executed measures outlined in Budget 2024 and the proper implementation of strategies and initiatives under Twelfth Plan are expected to continue supporting growth in the property sector.

*(Source: Property Market Report 2023, Valuation and Property Services Department Malaysia, Ministry of Finance ("**MOF**"))*

Perak

Between 2019 and 2023, the existing number of commercial properties in Perak, comprising shops, small office/home offices and serviced apartments, grew from 62,980 units to 66,272 units, registering a compound annual growth rate ("**CAGR**") of 1.3%.[(1)] Meanwhile, the existing number of industrial properties in Perak rose marginally from 8,463 units to 8,507 units at a CAGR of 0.1% over the same period.

The demand for commercial properties in Perak, in terms of property transaction values, grew marginally from RM1,286.4 million in 2019 to RM1,287.0 million in 2023. Meanwhile, the demand for industrial properties in Perak, based on property transaction values, rose from RM387.6 million in 2019 to RM720.4 million in 2023 at a CAGR of 16.8%. In particular, commercial and industrial property growth is primarily concentrated in the district of Kinta, which accounted for 46.1% and 56.7% of the total commercial and industrial property transaction value in 2023, respectively.

The commercial and industrial property market is expected to continue growing in light of:

(i) the growing manufacturing sector, where the manufacturing sector is the second largest contributor to Perak's economy after the services sector. The growth in the manufacturing sector between 2021 and 2022 was mainly contributed by the growth in the electrical and electronics ("**E&E**") and optical products and the petroleum, chemicals, rubber and plastics products segment;

(ii) growth in exports, which rose from RM31.0 billion in 2020 to approximately RM37.1 billion in 2022;

(iii) foreign and domestic investments, where Malaysia recorded a total of RM329.5 billion worth of approved investments in the manufacturing, services and primary sectors in 2023 across 5,101 projects. In 2022, Perak received foreign and domestic investments for E&E products and food manufacturing amounting to RM2.2 billion (representing 71.0% of total investments); and

(iv) green transformation of industrial parks so that industrial parks can achieve efficient use of energy and resources, reduced pollution and environmental impacts, increased labour productivity and enhanced capacity for sustainable development. Green industrial parks have the potential to attract investment, create more jobs, spur a shift in economic structure and incentives for new development in the surrounding area.

Note:
*(1) Source: National Information Property Centre ("**NAPIC**")*

*(Source: Independent Market Researcher Report ("**IMR Report**") by Providence Strategic Partners Sdn Bhd ("**Providence**"))*

7.3 Overview and outlook of the CLQ industry in Malaysia

CLQs are workers' accommodations that are equipped with gated and guarded accommodation and have modern amenities to promote the safety and comfort of workers. Such modern amenities include laundry facilities, canteen and pantry areas, leisure and entertainment areas (such as weekend movie area), sports facilities (such as futsal courts), religious areas and sick bays. In order to promote worker safety, CLQs are also typically equipped with surveillance systems, security guards and facial recognition systems for entry and exit points. They are also equipped with fire protection systems.

As such, CLQs positively impact the quality of life for both local and foreign workers. This will consequently drive foreign direct investments into Malaysia.

In particular, the Perak state government, in collaboration with PKNPk plans to implement a CLQs project in industrial areas in the state. The CLQs will be able to accommodate 12,000 foreign workers in the next 5 years. This is in line with the Perak Prosperity Development Plan 2030 to improve the well-being and achieve a balanced socio-economic development in Perak.

The manufacturing sector is the second largest contributor to Perak's economy after the services sector. In 2022, the manufacturing sector accounted for 19.5% of the state's Gross Domestic Product ("**GDP**"). The GDP of the manufacturing sector has been growing from RM13.7 billion in 2019 to RM15.6 billion in 2022, rising at a CAGR of 4.4% over the period.[(1)]

In 2022, the manufacturing sector grew by 1.0% (2021: 9.2%), mainly contributed by growth in E&E and optical products (2022: 35.4% of manufacturing GDP) primarily comprising the manufacturing of semiconductor components, solar photovoltaic systems, electronic manufacturing services and diodes. Perak's manufacturing sector was also supported by the petroleum, chemicals, rubber and plastic products segment (2022: 22.2% of manufacturing GDP), oils and fats from vegetables & animals, processed foods, beverages and tobacco products segment (2022: 16.1% of manufacturing GDP), as well as the non-metallic mineral products, base metals and fabricated metal products segment (2022: 15.4% of manufacturing GDP).[(1)]

Note:
(1) Source: DOSM

(Source: IMR Report by Providence)

7.4 Overview and outlook of the construction industry in Malaysia

In 2023, the value of construction work done demonstrating continuous positive momentum at 8.4 per cent (2022: 8.8%) to RM132.2 billion as compared to RM121.9 billion in 2022.

(Source: Quarterly Construction Statistics, 4th Quarter 2023, DOSM)

The construction sector continued to expand in tandem with the acceleration of infrastructure projects and realisation of investment in non-residential and residential developments. These developments helped to cushion the negative impact from the external sector following slow external demand, particularly from Malaysia's major trading partners.

(Source: Economic Outlook 2024, MOF)

The value of construction work in the first quarter of 2024 recorded a notable surge of 14.2% (4Q 2023: 6.8%) on a year-on-year basis, recorded to RM36.8 billion (4Q 2023: RM34.1 billion). Meanwhile, a quarter-on-quarter comparison showed the value of construction work done increased by 7.7 per cent in the first quarter of 2024.

The increment of the construction sector in the first quarter of 2024 was driven by positive momentum in all sub-sectors. The growth in the quarter was underpinned by improved expansion in the civil engineering sub-sector, which increased by 24.7% (4Q 2023: 18.0%). The expansion was also supported by an increased in the special trade activities and the residential building sub-sector recorded double-digit growth at 11.8% (4Q 2023: 0.3%) and 11.5% (4Q 2023: 2.3%) respectively. In the meantime, the non-residential buildings sub-sector also expanded at a faster pace of 3.8 per cent (4Q 2023: -1.9%).

Special trade activities and residential buildings sub-sectors rebounded in this quarter by recording positive growth in a quarter-on-quarter comparison of 12.4% (4Q 2023: -2.4%) and 9.2% (4Q 2023: -2.9%) respectively. In the meantime, non-residential buildings and civil engineering sub-sectors remained increased by 7.9% (4Q 2023: 2.7%) and 5.8% (4Q 2023: 5.6%) respectively.

Civil engineering sub-sector remained as the main contributor to the overall value of construction work done, holding the largest share of 41.1%, followed by non-residential buildings sub-sector with a share of 27.7%, while residential buildings and special trade activities sub-sectors contributed 21.1%t and 10.0% respectively.

(Source: Quarterly Construction Statistics, 1st Quarter 2024, DOSM)

7.5 Prospects of the Group

Presently, the Group operates across multiple business segments, including construction and support services, property investment, RE, construction and management of CLQs and quarry operations. However, the Group is now strategically focusing on expanding its prospects within the Property Businesses in view of the optimistic outlook of the developments of following prospects:

(i) Prospects of CLQ industry

The Group's dedication to providing high-quality accommodation solutions through the construction and management of CLQs is a cornerstone of its growth strategy. The Group continues to work closely with the state authorities of Perak to ensure that additional workers are housed in these CLQs, reinforcing the Group's commitment to improving living standards for workers. With increasing enforcement of Act 446 and growing demand for compliant worker accommodations, the Group sees substantial growth potential in this sector.

Additionally, the strategic locations identified for future CLQ developments, including large parcels of land in Kamunting and Seri Iskandar, both in the state of Perak, will enable the Group to cater to the needs of various industries, including manufacturing and construction. This focus on CLQs is expected to provide a stable and recurring revenue stream, supporting the Group's long-term growth objectives. The strategic locations identified for the Strategic CLQ Developments will enable the Group to cater to various industries, including manufacturing and construction, reinforcing Advancecon's commitment to improving living standards for workers while supporting the state of Perak's industrial growth.

(ii) Prospects of the SVTP Industrial Hub

The Group's involvement in the SVTP Industrial Hub underscores the Group's commitment to long-term sustainable growth by venturing into the Property Businesses. The SVTP Industrial Hub is poised to become a central node for industrial activities in the state of Perak, supported by comprehensive infrastructure and green energy initiatives. The Proposed Diversification into property development, particularly through the SVTP Industrial Hub, aligns with the Group's long-term goals for sustainable business growth. By leveraging on its expertise and strategic partnerships, Advancecon aims to enhance shareholders' value, diversify its revenue base and reduce reliance on its existing core businesses.

Currently, the Group's property portfolio comprises of commercial and residential properties. The Management of the Company has been continuously seeking business opportunities to expand the Group's property portfolio for property investment segment through acquisitions of companies (which own real estates), land banks and/or properties to earn recurring rental income and/or for capital appreciation purpose which in turn, shall contribute positively to the Group's earnings; improve the Group's cash flow position; and enhance the Group's financial performance and financial position in the medium to long term.

Moving forward, the Group will remain focus in pursuing its key long-term strategies to diversify its business interests to generate a sustainable revenue stream while maintaining a steady growth. The Group is poised to undertake new and long-term property development ventures. As the demand for high-quality industrial and worker accommodation properties increases, the Group's expanded portfolio and proven track record in the existing businesses will likely result in higher occupancy rates, stable cash flows and improved profitability. These initiatives not only drive immediate financial performance but also enhance the Group's competitive edge and long-term resilience, ultimately leading to sustained shareholder value and a promising future outlook for the Group.

Premised on the above as well as the outlook of the property investment industry and the CLQ industry as set out in Sections 7.2 and 7.3 of this announcement, the Board believes that the Proposed Diversification may enhance the Group's future prospects as it represents an opportunity for the Group to generate additional stream of revenue and income in the future financial years. Additionally, the Proposed ESOS is established to reward, retain and motivate the Eligible Persons by aligning their interests with the Group's corporate goals. This, in turn, is expected to further improve the Group's financial performance and enhance the Company's shareholders value in the long term.

(Source: Management of the Company)

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7.6 Financial Commentary

The summary of key financial information of the Group for the financial years/periods under review is as follows:

	(Audited)			(Unaudited)	
	FYE 2021 (RM'000)	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**3M-FPE 2023 (RM'000)**	**3M-FPE 2024 (RM'000)**
Revenue	270,802	422,350	449,765	112,025	93,970
PBT/LBT	3,977	(19,184)	(42,939)	(1,183)	(12,524)
PAT/LAT attributable to owners of the Company	2,050	(23,359)	(34,293)	148	(14,523)
Share capital	114,140	114,140	133,730	114,113	133,730
NA	215,575	207,237	176,156	197,989	163,485
No. of Shares in issue ('000)	492,756	492,756	584,732	492,756	584,732
Weighted average number of Shares in issue ('000)	409,353	483,375	552,672	483,375	575,351
NA per Share (RM)	0.44	0.42	0.30	0.40	0.28
Earnings per Share ("**EPS**") / Loss per Share ("**LPS**") (sen)	0.50	(4.83)	(6.20)	0.03	(2.52)
Current assets	289,878	372,580	294,432	355,128	291,342
Current liabilities	153,821	365,662	291,744	314,897	288,265
Current ratio (times)	1.88	1.02	1.01	1.13	1.01
Total borrowings (excluding lease liabilities)	126,120	255,501	216,136	206,073	238,624
Gearing ratio (times)	0.59	1.23	1.23	1.04	1.46

Commentaries:

(a) 3M-FPE 2024 vs 3M-FPE 2023

The Group's revenue for the 3M-FPE 2024 decreased by RM18.06 million or 16.12% to RM93.97 million (3M-FPE 2023: RM112.03 million), mainly due to a decrease in revenue from the construction and support services segment of 34.03% or RM24.09 million to RM46.71 million in 3M-FPE 2024 (3M-FPE 2023: RM70.80 million) due to the prolonged work progress on the WCE and ECRL construction projects.

The decrease in revenue was partially offset by an increase in revenue of RM5.87 million to RM46.86 million generated from the quarry operations segment in 3M-FPE 2024 (3M-FPE 2023: RM40.99 million).

The Group recorded a higher LAT of RM14.52 million for 3M-FPE 2024 compared to the PAT of RM0.15 million for the 3M-FPE 2023, mainly due to higher gross loss of RM10.01 million in 3M-FPE 2024 (3M-FPE 2023: gross profit of RM6.28 million) due to lower revenue generated in 3M-FPE 2024 as mentioned above, which was partially offset by:

(i) lower other expenses of RM1.90 million in 3M-FPE 2024 (3M-FPE 2023: RM5.10 million) due to the absence of commission paid on the disposal of land in relation to the quarry operations amounting to RM3.00 million in 3M-FPE 2023; and

(ii) lower finance costs of RM2.62 million in 3M-FPE 2024 (3M-FPE 2023: RM3.31 million) due to lower interest payments on refinanced loans.

(b) FYE 2023 vs FYE 2022

The Group's revenue for the FYE 2023 increased by RM27.42 million or 6.49% to RM449.77 million (FYE 2022: RM422.35 million), mainly due to increase in revenue from the quarry operations segment of 25.76% or RM35.86 million to RM175.09 million in the FYE 2023 (FYE 2022: RM139.23 million) due to higher production and sales volume and undertaking various projects from China Communications Construction (ECRL) Sdn Bhd, which was partially offset by decrease in revenue from construction and support services segment of 3.15% or RM8.88 million to RM273.33 million in the FYE 2023 (FYE 2022: RM282.21 million), mainly due to delayed progress from newly secured projects, which were still at the initial stages of construction progress.

The Group recorded a higher LAT of RM34.29 million for the FYE 2023 as compared to the LAT of RM23.36 million for the FYE 2022, mainly due to:

(i) higher cost of sales of RM454.08 million in the FYE 2023 (FYE 2022: RM415.87 million) due to additional work scope undertaken on the WCE projects as well as due to the significant increase in the prices of construction materials; and

(ii) additional impairment of other receivables of RM4.70 million due to the Group's acquisition of 51% equity interest of Spring Energy Resources Berhad ("**SERB**") ("**Acquisition of SERB**") in the FYE 2022.

(c) FYE 2022 vs FYE 2021

The Group's revenue for the FYE 2022 increased by RM151.55 million or 55.96% to RM422.35 million (FYE 2021: RM270.80 million), mainly due to:

(i) increase in revenue from the construction and support services segment of 5.30% or RM14.21 million to RM282.21 million in the FYE 2022 (FYE 2021: RM267.99 million) due to advanced progress milestones from its on-going construction projects; and

(ii) higher revenue from the quarry operations segment of RM139.23 million in the FYE 2023 (FYE 2022: Nil) due to the Group's diversification into the quarry business via the Acquisition of SERB in the FYE 2022.

The Group recorded a LAT of RM23.36 million for the FYE 2022 (FYE 2021: PAT of RM2.05 million), mainly due to:

(i) lower gross profit of RM6.21 million in the FYE 2022 (FYE 2021: RM18.90 million) caused by the terminations of several earthwork projects in East Malaysia due to non-payments, resulting in a loss of RM11.7 million; and

(ii) impairment of goodwill of RM23.10 million due to the underperformance of the quarry business segment related to the Acquisition of SERB in the FYE 2022;

which was partially offset by early settlement of the profit guarantee of RM30.8 million pursuant to the Acquisition of SERB in the FYE 2022.

7.7 Steps undertaken by the Group to improve the financial performance

The Group has undertaken the following measures to improve its financial performance and strengthen its financial position:

(a) taking active measures to increase the revenue of SERB, a 51% owned subsidiary company of Advancecon Group, by cross selling SERB's quarry products to Advancecon Group's subcontractors who work at the project sites as SERB will get immediate exposure to Advancecon Group's subcontractors base without incurring additional marketing and time costs to generate sales leads;

(b) enhancing the revenue of SERB by undertaking initiatives to re-engage inactive customers of SERB, such as deployment of dedicated sales personnel to provide personalised services to existing SERB customers, utilising all forms of communication channels to reconnect with the inactive customers, providing incentives or rebates to attract these group of customers, thereby potentially increasing SERB's sale of quarry products in the medium to long-term;

(c) integrating the civil engineering activities of SERB into Advancecon, allowing SERB to focus on its core expertise of providing integrated quarry operation management and services;

(d) on 21 May 2024, AISB was appointed by Sime Darby Property (Bukit Jelutong) Sdn Bhd as the contractor for the proposed main infrastructure works for Lot 80927 (Tiara Residences), Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan for a total contract sum of RM25.35 million;

(e) on 15 July 2024, the Group entered into the JVSA for the Proposed CLQ Development;

(f) on 23 July 2024, Spring Energy Sdn Bhd ("**SESB**"), an indirect 51% owned subsidiary of Advancecon, entered into a Mining Services Agreement with Imerys Minerals Malaysia Sdn Bhd for the non-exclusive appointment of SESB as the contractor to carry out the mining works at Gunung Terundum in the Simpang Pulai/Keramat Pulai area in the state of Perak for a total estimated contract sum of RM110.00 million, underscoring Advancecon Group's proactive efforts to revitalise its underperforming quarry segment, which has been facing financial challenges; and

(g) on 30 July 2024, AISB was appointed by Sime Darby Property (Bukit Raja) Sdn Bhd as the contractor for the proposed construction and completion of earthworks and ancillary works for the Bukit Raja township development project at Phase 4B (i17), Bandar Bukit Raja Stage 3, Mukim Kapar, District of Klang, State of Selangor Darul Ehsan for a total contract sum of RM38.25 million.

The Board will continue to explore various opportunities present in the market place within the Group's existing businesses to enhance the Group's revenue and profitability. In view of the steps undertaken as abovementioned, the Board is of the opinion that the Group's strategies will improve the financial position of the Group in the future.

7.8 Impact of the Proposed ESOS and value creation for the Group

The Proposed ESOS aims to acknowledge, reward, incentivise and retain Eligible Persons whose contributions have been instrumental in fostering the growth and performance of the Group. By recognising and valuing their efforts, the Group endeavours to reinforce a sense of commitment and loyalty among these key contributors. Through the grant of ESOS Options at a predetermined Option Price, the Proposed ESOS incentivises the Eligible Persons to continue with their contribution to the future growth of the Group and aligns their interests with the Group's long term strategic goals to drive shareholder value enhancement. As the business performance of the Group improves, the potential market price appreciation of Advancecon Shares in the long term enables the Eligible Persons to realise higher capital returns upon exercising their ESOS Options.

Premised on the foregoing, the Board is of the opinion that the Proposed ESOS will incentivise its employees to improve the financial performance of the Group and thus enhance the value of the shareholders of the Group in the long term.

7.9 Adequacy of the Proposed Diversification in addressing the Group's financial concern

As at the LPD, the Group's cash and bank balances stood at approximately RM17.06 million, which the Group intends to preserve for the working capital requirements of its various business segments. The Board is optimistic of the Group's venture into the Property Businesses, in view of the strategic locations and promising prospects of the Proposed Developments as set out in Sections 7.2 and 7.3 of this announcement. Upon the successful completion of these projects, the rental income from the CLQs will improve the financial performance of the Group and ultimately strengthen the Group's capital base and NA as well as further enhance the growth prospects of the Group.

After considering all aspects of the Proposals, including their rationale, use of proceeds and effects of the Proposed ESOS, the Board views them as appropriate measures to improve the Group's financial position. The expected benefits from these initiatives will contribute positively to the Group's overall performance.

The Board will continue to evaluate other viable measures, including additional fundraising avenues, to ensure adequate working capital and sustain the Group's business and financial performance in the medium to long term.

8. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any impact on the issued share capital, NA and gearing as well as the substantial shareholders' shareholdings of the Group as the Proposed Diversification does not entail any issuance of new Advancecon Shares.

8.1 Issued share capital

The Proposed ESOS is not expected to have an immediate effect on the Company's issued share capital until such time when the ESOS Options granted under the Proposed ESOS are exercised. The Company's issued share capital will increase progressively depending on the number of new Advancecon Shares to be issued upon the exercise of the ESOS Options granted under the Proposed ESOS and the Option Price.

For illustration, the pro forma effect of the Proposed ESOS on the issued share capital of the Company is as follows:

	No. of Shares	Issued share capital (RM)
As at the LPD	584,731,900	133,729,611
Less: Treasury shares	(9,381,300)	(3,249,343)
Share capital as at the LPD (excluding treasury shares)	575,350,600	130,480,268
Assuming full exercise of ESOS Options	86,302,500[(1)]	21,834,533[(2)]
Enlarged issued share capital after the Proposed ESOS	**661,653,100**	**152,314,801**

Notes:

(1) Based on 15% of the total number of issued Shares as at the LPD.

(2) Based on an illustrative Option Price of RM0.2530 per ESOS Option.

8.2 Earnings/Losses and EPS /LPS

The Proposed ESOS is not expected to have any material effect on the earnings/losses of the Group, save for the possible impact of the Malaysian Financial Reporting Standard 2 – Share-based Payment ("**MFRS 2**") upon granting of the ESOS Options. However, any potential effect on the EPS/LPS of the Group in the future would depend on the impact of MFRS 2, the number and Option Price of the ESOS Options exercised as well as the utilisation of the proceeds arising therefrom.

Under the MFRS 2, the potential cost arising from the issuance of the ESOS Options, which is measured by the fair value of the ESOS Options after taking into account, inter-alia, the number of ESOS Options granted and vested and the Option Price, will need to be measured at the grant date and to be recognised as an expense over the vesting period and therefrom may affect the future earnings of the Group, the quantum of which can only be determined at the grant date. However, the estimated cost does not represent a cash outflow by the Company as it is merely an accounting treatment.

Nonetheless, the Group has taken note of the potential impact of the MFRS 2 on the Group's future earnings and shall take into consideration such impact in the allocation and granting of ESOS Options to the Eligible Persons.

Notwithstanding the above, the EPS/LPS of the Group will be diluted due to the Company's enlarged issued share capital arising from the issuance of new Advancecon Shares if and when the ESOS Options are exercised in the future. The effects of any exercise of the ESOS Options on the EPS/LPS of the Group would depend on the returns to be generated by the Group from the utilisation of proceeds from the exercise of the ESOS Options.

The Proposed Diversification is not expected to have any immediate material impact on the earnings and EPS of Advancecon for the FYE 2024. Nevertheless, the Proposed Developments are expected to contribute positively to the future earnings of Advancecon Group as and when the Proposed Developments progress.

8.3 NA per Advancecon Share and gearing

The effects of the Proposed ESOS on the Group's NA would depend on factors such as the number of ESOS Options granted and the fair value of the ESOS Options after taking into account, amongst others, the Option Price as well as any vesting condition. Whilst the granting of the ESOS Options under the Proposed ESOS is expected to result in recognition of a charge in the statement of comprehensive income of Advancecon Group pursuant to the MFRS 2, as issued by the Malaysian Accounting Standard Board, the recognition of such MFRS 2 charge would not affect the NA of Advancecon Group as the corresponding amount will be classified as an equity compensation reserve which forms part of shareholders' equity.

If none of the granted ESOS Options are exercised within the duration of the Proposed ESOS, the amount outstanding in the said equity reserve would be transferred into the Company's retained earnings. On the other hand, if the granted ESOS Options are exercised, the amount outstanding in the said equity reserve would be transferred into the share capital account of the Company.

The Proposed ESOS will not have any immediate effect on the consolidated NA per Advancecon Share until such time when the ESOS Options granted under the Proposed ESOS are exercised. The consolidated NA per Advancecon Share following the exercise of the ESOS Options will increase if the Option Price exceeds the consolidated NA per Advancecon Share at the point of exercise of the ESOS Options and conversely will decrease if the Option Price is below the consolidated NA per Advancecon Share at the point of the exercise of the ESOS Options.

The Proposed ESOS is not expected to have an immediate effect on the Group's gearing level until such time when the ESOS Options granted are exercised. The effect on the gearing will depend on the change in the NA, which in turn will depend on the actual number of new Advancecon Shares to be issued as well as the Option Price payable upon the exercise of the ESOS Options.

The Proposed Diversification is not expected to have any immediate material impact on the NA per Share and gearing of Advancecon Group for the FYE 2024. However, the impact on the future NA per Share and/or gearing of Advancecon Group will depend on the development timeframe and the future profit contribution arising from the Group's venture into the Property Businesses.

8.4 Substantial shareholders' shareholdings

The Proposed ESOS is not expected to have any immediate effect on the Company's substantial shareholders' shareholdings until such time when the ESOS Options are exercised into new Advancecon Shares. Any potential effect on the Company's substantial shareholders' shareholdings will depend on the actual number of new Advancecon Shares issued pursuant to the exercise of the ESOS Options at the relevant point in time.

8.5 Convertible securities

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

9. APPROVALS REQUIRED

The Proposals are subject to approvals being obtained from the following:

(i) Bursa Securities for the listing and quotation for such number of Advancecon Shares, representing up to 15% of the Company's total number of issued Shares (excluding treasury shares, if any), to be issued pursuant to the Proposed ESOS on the Main Market of Bursa Securities;

(ii) the shareholders of the Company at an EGM to be convened for the Proposals; and

(iii) any other relevant regulatory authorities and/or parties, if required.

10. INTER-CONDITIONALITY OF THE PROPOSALS

The Proposed ESOS and Proposed Diversification are not inter-conditional.

The Proposals are not conditional upon any other corporate exercise/scheme of the Company.

11. INTEREST OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, major shareholders, chief executive of Advancecon and/or Persons Connected with them have any interest, direct or indirect, in the Proposals.

Nevertheless, the Eligible Directors are eligible to participate in the Proposed ESOS and are therefore deemed interested to the extent of their respective proposed allocations and the proposed allocations to Persons Connected with them, if any, under the Proposed ESOS. Notwithstanding this, the Board has deliberated on the Proposed ESOS as a whole and have agreed to present the Proposed ESOS to the shareholders for their consideration and approval at the EGM to be convened.

Accordingly, all the Eligible Directors have and will continue to abstain from all Board deliberations and voting in respect of their respective proposed allocations and the proposed allocations of Persons Connected with them under the Proposed ESOS, if any, at the relevant Board meetings.

The Directors who are deemed Persons Connected with Eligible Persons under the Proposed ESOS, if any, have and will continue to abstain from all Board deliberations and voting in respect of the proposed allocations to Persons Connected with them under the Proposed ESOS, if any, at the relevant Board meetings.

The Eligible Directors will also abstain from voting in respect of their respective direct and/or indirect shareholdings in the Company on the ordinary resolutions pertaining to the proposed allocations to them and the proposed allocations to Persons Connected with them, if any, under the Proposed ESOS, to be tabled at the EGM to be convened. They will also undertake to ensure that Persons Connected with them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the ordinary resolutions pertaining to the proposed allocations to themselves and Persons Connected with them, if any, under the Proposed ESOS, to be tabled at the EGM to be convened.

The direct and indirect shareholdings of the Directors and major shareholder of Advancecon as at the LPD are set out as follows:

	Direct		Indirect	
	No. of Shares	**%**	**No. of Shares**	**%**
Director and major shareholder				
Dato' Phum	97,563,750	16.96	150,000(1)	0.03
Directors				
Tung Kai Hung	9,775,250	1.70	-	-
Tan Chee Keong	599,900	0.10	-	-
Yeoh Chong Keat	-	-	-	-
Mohd Zaky Bin Othman	-	-	-	-
Jananee Priya A/P Gopal	-	-	-	-

Note:

(1) Deemed interested by virtue of his children namely Phum Boon Lim's and Phum Boon Jye's shareholdings in Advancecon pursuant to Section 59(11)(c) of the Companies Act 2016.

12. DIRECTOR'S STATEMENT

The Board having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

The Board (save for the Eligible Directors who have abstained from deliberating and giving any opinion or recommendation on their respective allocations and the allocations to the Persons Connected with them, if any), after considering all aspects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Company.

13. SUBMISSION TO AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION

The application to Bursa Securities in relation to the Proposals is expected to be submitted within 1 month from the date of this announcement.

Barring any unforeseen circumstances and subject to approvals from the relevant authorities, the Board expects the Proposals to be completed within 6 months from the date of Bursa Securities' approval for the application in respect of the Proposed ESOS.

14. ADVISER

TA Securities has been appointed as the Adviser for the Proposals.

This announcement is dated 26 August 2024.

SALIENT TERMS OF THE CA AND ADDENDUM

The salient terms of the CA and Addendum are set out below:

Scope of the collaboration	:	(i) PKNPk and Advancecon agreed to execute the CA to record amongst others, their respective roles and responsibilities and other matters in relation to: (a) the Refurbishment Works for Asrama Murni Block B by Advancecon, for the conversion of Asrama Murni Block B into dormitory styled accommodation for 288 employees of Carsem (M) Sdn Bhd (S-Site) ("**Tenant**"); and (b) the collaboration to jointly undertake the development, construction, operation and maintenance of CLQs at the strategic locations in the state of Perak, to meet the needs and requirements of industrial manufacturers in the state of Perak for suitable accommodation for their workforce ("**JV Project**"). (ii) Pursuant to the Addendum, PKNPk and Advancecon agreed to further undertake the Refurbishment Works for Asrama Murni Block A, for the conversion of Asrama Murni Block A into dormitory styled accommodation for 192 employees of the Tenant, in accordance with the terms and conditions for the Refurbishment Works for Asrama Murni Block B in the CA.
Effective date and term	:	Unless earlier terminated in accordance with the termination provisions, the CA shall commence on 10 November 2022 ("**Effective Date – CA**") and shall remain valid for a period of 12 months ("**Term**"). The Term may be extended for a further period of 6 months upon mutual agreement of PKNPk and Advancecon ("**Extended Term**").
Asrama Murni CLQs	:	(i) The Refurbishment Works for Asrama Murni Block B shall be undertaken in full compliance with all applicable laws and regulations. Advancecon shall secure and maintain all relevant approvals for the Refurbishment Works. (ii) Upon completion of the Refurbishment Works: (a) Asrama Murni Block B shall meet all requirements of Act 446 for labour quarters accommodating 288 workers; and (b) Advancecon shall apply and secure the Certificate of Accommodation from the Labour Department for Asrama Murni Block B. (iii) The costing projection for the costs and expenses for the Refurbishment Works ("**Refurbishment Costs**") shall be mutually agreed by PKNPk and Advancecon prior to the commencement of the Refurbishment Works. All such Refurbishment Costs shall be solely borne by Advancecon. (iv) Pursuant to the Addendum, the Refurbishment Works for Asrama Murni Block A shall be undertaken in accordance with the abovementioned terms and conditions.

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SALIENT TERMS OF THE CA AND ADDENDUM *(CONT'D)*

The JV Project :

(i) As at the Effective Date – CA, PKNPk and Advancecon have identified 3 strategic locations to be considered for the implementation of the JV Project, namely, the Seri Iskandar Land, Kamunting Land and the blocks of buildings (excluding Asrama Murni Block B) erected on the Asrama Murni Land (collectively, "**Strategic Locations**").

(ii) In addition to the Strategic Locations, PKNPk and Advancecon agree to explore other suitable locations for the JV Project ("**Additional Locations**") throughout the Term. Unless with prior written consent of the other party, PKNPk and Advancecon each agrees that it shall not collaborate with any third party on any initiative(s) and/or project(s) similar to the JV Project.

(iii) The JV Project is subject to the execution of a shareholders' agreement by PKNPk and Advancecon (or their appointed nominees, subsidiaries or related entities) ("**Shareholders' Agreement**"). PKNPk and Advancecon shall use their reasonable efforts to conclude the negotiation and finalisation of the terms and conditions for the JV Project throughout the Term, with a view to execute the Shareholders' Agreement before the expiry of the Term or Extended Term, as the case may be.

(iv) The following represents the general terms and conditions relating to the JV Project, which are being discussed and considered by PKNPk and Advancecon. The final terms and conditions for the JV Project shall be recorded and reflected in the Shareholders' Agreement:

(a) PKNPk and Advancecon are considering to implement the JV Project via the establishment of a new JVC;

(b) the paid-up capital and authorised capital of the JVC as well as other matters related thereto shall reflect the requirements and nature of the JV Project;

(c) the proposed equity participation of the JVC shall be as follows:

(A) 70% to be held by Advancecon (or its wholly-owned subsidiary), to be satisfied through cash injection required for the implementation and undertaking of the JV Project; and

(B) 30% to be held by PKNPk (or its wholly-owned subsidiary), to be satisfied via injection of proprietorship of the Strategic Locations and Additional Locations (if any) into the JVC, based on their market values to be evaluated by a mutually appointed licensed valuer;

(d) the appointment of the chief executive officer or managing director of the JVC shall be mutually agreed by PKNPk and Advancecon;

(e) priority shall be given to Advancecon's subsidiary to be appointed as the main contractor for the construction works for the JV Project. Nevertheless, the terms and conditions of such construction contracts and all related negotiations shall be on arm's length basis; and

(f) all costs and expenses incurred in undertaking and performing the respective roles and responsibilities of PKNPk and Advancecon as set out in the CA shall be verified and mutually agreed, and thereafter recovered from the JVC.

SALIENT TERMS OF THE CA AND ADDENDUM *(CONT'D)*

(v) If the JV Project does not materialise, Advancecon shall be entitled to claim the Refurbishment Costs, together with a sum equivalent to 20% of the Refurbishment Costs through collection of monthly rentals directly payable by the Tenant.

Roles and responsibilities of PKNPk :

(i) To secure the availability of the lands for the Strategic Locations or Additional Locations (if any) and to prepare the lands for injection into the JVC after the execution of the Shareholders' Agreement;

(ii) To assist Advancecon in approaching the industry players and/or industrial manufacturers in the state of Perak to determine their requirements relating to CLQs to be constructed under the JV Project; and

(iii) To assist Advancecon in securing the requisite regulatory approvals for the JV Project.

Roles and responsibilities of Advancecon :

(i) To perform relevant due diligence, feasibility, market, environmental assessment studies and any other requisite studies;

(ii) To take charge of securing the relevant expertise, equipment and materials for the JV Project; and

(iii) To conduct research and survey with the industry players and/or industrial manufacturers in the state of Perak to determine their requirements relating to the JV Project.

Mutual roles and responsibilities of PKNPk and Advancecon :

(i) To identify, discuss and conclude the terms and conditions in implementing the JV Project; and

(ii) To adhere to the agreed timeline with a view to execute the Shareholders' Agreement before the expiry of the Term or the Extended Term, as the case may be.

Default and termination :

(i) The CA shall automatically terminate:

(a) by mutual agreement of PKNPk and Advancecon;

(b) immediately upon the execution of the Shareholders' Agreement and upon incorporation of the JVC, whichever is the later;

(c) 7 days after the service of a default notice by the non-defaulting party to the defaulting party, by virtue of:

(A) the defaulting party being in material breach of any term of the CA, and if the breach is capable of remedy, failure to remedy the breach within 14 business days; or

(B) the insolvency, dissolution or winding-up of the defaulting party; or

(d) on the day falling after the Term or Extended Term, as the case may be.

(ii) Following termination of the CA:

(a) PKNPk and Advancecon shall return all confidential information received pursuant to the CA within 7 days after termination; and

SALIENT TERMS OF THE CA AND ADDENDUM *(CONT'D)*

(b) save for antecedent breach, neither party shall have any claim against the other party, nor shall be entitled to any compensation for termination or severance payment.

Governing law : The laws of Malaysia.

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SALIENT TERMS OF THE JVSA

The salient terms of the JVSA are set out below:

Subject matter	:	Pursuant to the CA and Addendum, PKNPk and Advancecon agreed to refurbish and upgrade the Asrama Murni CLQs into dormitory styled accommodation for conversion into CLQs. As at the date of the JVSA, the Refurbishment Works for the Asrama Murni CLQs have been fully completed. PESB and AVSB have agreed to jointly undertake the JV Project on the Strategic Locations and Additional Locations through CLQSSB, being a joint venture vehicle of PESB and AVSB. In the context of the JVSA, "**JV Project**" shall include the management of the Asrama Murni CLQs. In relation thereto, the JVSA is entered into by PESB and AVSB to: (i) give effect to their intentions, record and regulate the affairs of CLQSSB; (ii) give effect to their respective rights and obligations as shareholders of CLQSSB; and (iii) regulate their respective obligations in the management of CLQSSB.
Effective date and term	:	The JVSA shall take effect from 15 July 2024. Unless otherwise terminated by mutual agreement or pursuant to the termination provisions, the JVSA shall be valid as long as the parties agree and PESB and AVSB remain as shareholders of CLQSSB.
Obligations of PESB for the JV Project	:	(i) Subject to the receipt of the suitability report issued by AVSB upon completion of the feasibility studies, due diligence, market and environmental assessment studies and any other requisite studies ("**Studies**") confirming the suitability of the Strategic Locations and/or Additional Locations for the JV Project ("**Suitability Report(s)**"), to secure from PKNPk the Strategic Locations and/or Additional Locations and cause an option to acquire agreement to be executed by PKNPk and CLQSSB ("**Option to Acquire Agreement**"); (ii) To be responsible in procuring PKNPk's consent for the creation of a third party legal charge on the title of any of the Strategic Locations or Additional Locations, as security for any loan granted to CLQSSB strictly for financing the development of the JV Project; (iii) Where the land has not been registered in the name of CLQSSB and where applicable, to cause PKNPk to submit the application for renewal of the leasehold period for the Strategic Locations or Additional Locations; (iv) Subject to fulfilment of all terms and conditions of the Option to Acquire Agreement, to procure PKNPk's execution and submission of all documents for transfer of ownership of the lands for the Strategic Locations or Additional Locations to CLQSSB, as identified in the written notice to transfer issued by CLQSSB upon fulfilment of all the conditions in the Option to Acquire Agreement ("**Notice to Transfer**"); (v) To assist CLQSSB and where applicable, procure PKNPk to submit and obtain the necessary regulatory approvals for the JV Project; (vi) To facilitate engagement by CLQSSB with industry players and/or industrial manufacturers in the state of Perak to determine their requirements relating to CLQs to be constructed under the JV Project; and (vii) Subject to the terms and conditions of the JVSA, to procure PKNPk to not dispose, lease or otherwise deal with the Strategic Locations and/or Additional Locations, as the case may be.

SALIENT TERMS OF THE JVSA *(CONT'D)*

Obligations of AVSB for the JV Project :	(i) To conduct the Studies to determine the suitability of each of the Strategic Locations and Additional Locations for the JV Project and thereafter, to submit the respective Suitability Reports to PESB for approval; (ii) To take charge of securing the relevant expertise, equipment and materials for the JV Project; (iii) To conduct the research and survey with industry players and/or industrial manufacturers in the state of Perak to determine their requirements relating to CLQs to be constructed under the JV Project; (iv) To ensure that the identified Strategic Locations and Additional Locations are developed into CLQs for the purpose of the JV Project on a best endeavour basis; (v) In the event that the costs and expenses incurred by AVSB for the Refurbishment Works for the Asrama Murni CLQs and the development, construction, operation and maintenance of CLQs to be constructed on the Strategic Locations land/building and/or the Additional Locations land/building ("**Costs of the JV Project**") incurred by AVSB has not reached 70% in value in comparison to PESB's shareholding proportion at the time of execution of each Option to Acquire Agreement, to cause Advancecon's issuance of the corporate guarantee for share capital in favour of PESB ("**Guarantee for Share Capital**"), in accordance with the terms and conditions of the JVSA; and (vi) In the event any of the Strategic Locations or Additional Locations is required by CLQSSB to be utilised as security by way of a third party legal charge, in respect of any loan granted to it strictly for financing the development of the JV Project, to cause Advancecon's issuance of the corporate guarantee for consent to charge in favour of PKNPk, in accordance with the terms and conditions of the JVSA.
Share capital and shareholding structure of CLQSSB :	(i) As at the date of the JVSA, the share capital of CLQSSB is RM10.00 only divided into 10 ordinary shares of RM1.00 only each, all of which are fully paid and held by AVSB. (ii) Within 10 business days from the date of the JVSA, AVSB shall sell and transfer 3 ordinary shares of CLQSSB at the total consideration of RM3.00 only to PESB. (iii) The following shareholding proportions of CLQSSB shall remain unchanged for the duration of the JVSA: (a) 70% to be held by AVSB; and (b) 30% to be held by PESB. (iv) If after capitalisation of the value of the works by AVSB represented by the Costs of the JV Project exceeds AVSB's shareholding proportion in CLQSSB ("**AVSB's Excess**"), PESB shall not be required to make further capital contribution and the AVSB's Excess shall be treated as shareholder's advances from AVSB, which at AVSB's option, shall be: (a) repaid to AVSB at the first opportunity when the accounts of CLQSSB allow for the same, preferably before distribution of dividends; or

(b) utilised as AVSB's capital contribution for the next project involving the other Strategic Locations and/or Additional Locations.

(v) AVSB's shareholding proportion shall be contributed pursuant to the Costs of the JV Project, as valued by a qualified and registered quantity surveyor prior to the issuance of each Notice to Transfer, and via cash injection. PESB's shareholding proportion shall be contributed in the form of transfer of the lands for the Asrama Murni CLQs, the Strategic Locations and the Additional Locations at the value ascertained by a registered valuer in accordance with the terms of the JVSA.

(vi) Capitalisation of the respective shareholding proportions of AVSB and PESB shall take place at the point of injection of the lands for the Asrama Murni CLQs, the Strategic Locations and/or the Additional Locations.

(vii) As at the date of the JVSA, the estimated Refurbishment Costs for the Refurbishment Works for the Asrama Murni CLQs amount to RM3,997,099.34 only and shall be considered as AVSB's contribution towards its shareholding proportion in CLQSSB.

Management and board composition of CLQSSB : The business and affairs of CLQSSB shall be managed by its board of directors comprising a total of 5 directors, of which 3 directors shall be nominated by AVSB and 2 directors shall be nominated by PESB.

Events of default : The occurrence of any of the following shall constitute an event of default ("**Event(s) of Default**"):

(i) breach of any provisions of the JVSA by any party and failure to remedy such breach within 30 days after receipt of written notice from the non-defaulting party;

(ii) insolvency, dissolution or winding up of any party; or

(iii) cessation of (or threaten to cease) the whole or any substantial part of business by any party, other than in the course of reconstruction or amalgamation approved by the other parties.

Termination : (i) Upon the occurrence of any of the Event(s) of Default, the non-defaulting party(ies) shall be entitled to request either of the following:

(a) if the defaulting party is a shareholder of CLQSSB, the defaulting party to sell all of its shares in CLQSSB to the non-defaulting shareholder, at the discounted price equivalent to 90% of the market price determined and certified by an independent firm of reputable accountants; or

(b) that CLQSSB be wound up.

(ii) Upon termination of the JVSA, save for any accrued right of action prior to termination or out of which such termination shall have arisen, none of the parties shall have any claims against the others for costs, damages, compensation or otherwise.

(iii) If the JVSA is terminated for reasons not attributable to an Event of Default and the parties are unable to arrange for the sale of the shares in CLQSSB either to another party to the JVSA or a third party, CLQSSB and all of its subsidiaries shall be liquidated as soon as practicable.

SALIENT TERMS OF THE JVSA *(CONT'D)*

Any surplus assets after the conclusion of the liquidation proceedings shall be distributed to the shareholders in accordance with their shareholding proportions at the time of the liquidation.

Governing law : The laws of Malaysia.

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SALIENT TERMS OF THE JDA

The salient terms of the JDA are set out below:

Background and particulars of the joint development :

(i) On 12 August 2022, Perak Corp and PKNPk entered into a memorandum of understanding to explore the proposed collaboration involving, amongst others, the utilisation of Perak Corp's expertise to develop a number of PKNPk's strategic landbanks. On 31 March 2023, Perak Corp and PKNPk entered into the MDA setting out the general and overarching terms and conditions for the proposed collaboration, including but not limited to the proposed development of the SVTP Industrial Hub.

(ii) Pursuant to the MDA, Perak Corp and PKNPk confirmed the proposed development of the SVTP Industrial Hub as a confirmed development initiative. On 8 January 2024, Perak Corp and PKNPk entered into the JVA as the definitive agreement setting out the terms and conditions on the collaboration between Perak Corp and PKNPk for the development of the SVTP Industrial Hub.

(iii) Perak Corp's obligations under the JVA include the appointment of a strategic partner for the implementation and carrying out of the works for the Main Infrastructure ("**Works**") on the Subject Sites. Pursuant thereto, ADSB was appointed as the joint venture partner of Perak Corp for the Development and sale of the Industrial Lots to end-purchasers ("**Sale**").

(iv) Perak Corp and ADSB will be the named joint developers of the Development. The Development will be undertaken in the following 3 phases in accordance with the demand from the end-purchasers or end-users:

Phase	Land Area (acres)
1	274.85
2	206.31
3	265.57
Total	**746.73**

(v) The Works shall be completed within 5 years from the first day following the day on which all the conditions precedent of the JDA ("**Condition(s) Precedent**") are fulfilled ("**Unconditional Date**") ("**Completion Date**"). The Completion Date may be extended for a mutually agreed period. Upon request by ADSB, Perak Corp may grant an extension of time of the Completion Date and such request shall not be unreasonably withheld.

Effective date and term : The collaboration of Perak Corp and ADSB in relation to the Development commences following the execution of the JDA and will continue until the later of the following:

(i) subject to any extension pursuant to the terms of the JDA, the expiry of 5 years from the Unconditional Date; or

(ii) the date of termination of the JDA.

Conditions Precedent : The JDA is conditional upon fulfilment of the following Conditions Precedent within 15 months from the date of the JDA (or such other mutually agreed extended period):

(i) ADSB obtaining the appropriate authorities' approvals for the Development;

(ii) Perak Corp and ADSB obtaining its shareholders' approval;

SALIENT TERMS OF THE JDA *(CONT'D)*

(iii) Perak Corp and ADSB obtaining approvals of Bursa Securities or other regulatory bodies;

(iv) grant of a written undertaking by PKNPk that the Subject Sites are free from encumbrances and the original issue document of titles of the Subject Sites shall be released to Perak Corp immediately upon its written request for change of land category, condition or restriction, or charge of the Subject Sites (excluding PKNPk's reserved lands) to a third party financier by ADSB in accordance with the provisions of the JDA; and

(v) ADSB obtaining the bridging financing facility or other financial arrangement that may be secured to fund the Development Cost.

Consideration : Subject to the terms of the JDA:

(i) PKNPk's Basic Revenue Share

Pursuant to the JVA, PKNPk is entitled to a sum equivalent to RM9.70 per square foot of each of the Industrial Lots sold to end-users.

(ii) Perak Corp's Revenue Share

Subject to full payment of the Development Cost, Perak Corp is entitled to a sum equivalent to 35% of the Nett Development Value. In acknowledgement that Perak Corp shall incur costs in the implementation of the joint development, pending full payment of all Development Cost, Perak Corp shall be paid an amount equivalent to 10% (or any other percentage as mutually agreed from time to time) from the proceeds of sales for each Industrial Lot sold to end-purchasers, after deducting the advances paid by ADSB on behalf of Perak Corp in relation to Perak Corp's obligations under the JDA (if any). Such amount paid shall be deducted from the total Perak Corp's Revenue Share.

(iii) ADSB's Revenue Share

Subject to full payment of the Development Cost, PKNPk's Basic Revenue Share and Perak Corp's Revenue Share, ADSB is entitled to a sum equivalent to 65% of the Nett Development Value.

Duties of Perak Corp : The duties of Perak Corp include to procure PKNPk:

(i) to make the Subject Sites available and grant a non-exclusive licence to Perak Corp and ADSB for the Development and Works;

(ii) to keep the original issue document of titles to the Subject Sites in their safe keeping and make them available for purposes of the Development or Sale;

(iii) to execute and provide all necessary documents for the creation of charge or security over the Subject Sites (excluding PKNPk's reserved lands);

(iv) to at all times co-operate and use its best endeavours to act on matters below to enable ADSB to discharge its duties under the JDA;

(v) to promptly and diligently:

(a) enter into planning or other obligations with the local planning authority or other appropriate authorities for the Development;

(b) enter into sale agreements as the registered owner of the Industrial Lots for completion of the Sale; and

(c) initiate such claims or be a party to such actions and proceedings as may be necessary for fulfilment of the obligations under the JDA; and

(vi) to grant a limited and revocable power of attorney in favour of Perak Corp or ADSB, whichever appropriate, as its attorney to deal with the Subject Sites for the purposes of the Development and the JDA.

Duties of ADSB : The duties of ADSB include:

(i) to prepare and submit to Perak Corp, the Development works programme outlining the timeline of the Development;

(ii) to submit the layout plan to the appropriate authorities and to prepare the application for subdivision of title in accordance with the terms of the JDA;

(iii) to undertake the planning and management of the Development, as well as to monitor the progress of, co-ordinate, superintend and supervise the Development;

(iv) to fund or procure the funding of all requisite Development Cost and to exercise cost controls;

(v) to appoint the professional persons and contractors for the Works;

(vi) to determine promotional and marketing campaigns, handle the Sale and conduct negotiations for the Sale;

(vii) to design, construct and develop all the Main Infrastructure comprised in the development plan for the Development in accordance with the approved layout plans and mutually agreed timeline;

(viii) to deposit all proceeds of the Sale into the proceeds account to be maintained by ADSB and jointly operated by ADSB, Perak Corp and PKNPk for management and distribution in accordance with the terms of the JDA;

(ix) to provide technical knowledge, skills, expertise, consultancy and such other services in respect of the Development;

(x) to advance the monies to pay the outstanding quit rents amounting to RM12,642,494.60 as at the date of the JDA, assessments, rates and other outgoings in stages for the parcels involved in a stage of the Development based on the approved development plan. All such advances shall be deducted from PKNPk's Basic Revenue Share;

(xi) to advance the monies to pay all costs to remove or evict any squatters and/or illegal building and structure on the Subject Sites. All such advances shall be deducted from Perak Corp's Revenue Share; and

(xii) in the event of any proposed creation of charge over any parcel of the Subject Sites (excluding PKNPk's reserved lands) to fund the Development Cost:

(a) to procure the grant of a corporate guarantee by Advancecon in favour of PKNPk; and

(b) where required by PKNPk and Perak Corp, to provide an indemnity,

in such form and substance satisfactory to PKNPk and Perak Corp.

SALIENT TERMS OF THE JDA *(CONT'D)*

Events of default : (i) It is an event of default if ADSB:

(a) fails, neglects and/or refuses to commence the Works within 6 months after the Unconditional Date (or such mutually agreed extended period);

(b) fails to complete the Development by the Completion Date;

(c) fails to proceed with the Works diligently or the carrying out of the Works is wholly suspended continuously for more than 3 months;

(d) persistently or flagrantly breaches or neglects to comply with or carry out any of its material obligation under the JDA; or

(e) is in breach of any if its obligations or any of the warranties, representations, covenants or terms under the JDA and if capable of remedy, is not remedied within 30 business days of written notice from Perak Corp.

(ii) It is an event of default if Perak Corp is in breach of any of its obligations, warranties, representations, covenants or terms under the JDA and if capable of remedy, is not remedied within 30 business days of written notice from ADSB.

(iii) Upon occurrence of any such event of default, the non-defaulting party may require the defaulting party to remedy the default within 21 days from the date of receipt of a notice in writing (or such other mutually agreed period). Upon the expiry of the notice, the non-defaulting party may, for so long as the relevant default or event is continuing, without prejudice to any other right or remedy, terminate the JDA with immediate effect by notice in writing.

(iv) In the event of insolvency, dissolution or winding up of the any party, the other party to the JDA may, without prejudice to any other right or remedy, terminate the JDA with immediate effect by notice in writing.

Termination : (i) Termination upon expiry

Unless otherwise extended pursuant to the terms of the JDA, the JDA shall terminate at the expiry of the 5-years term from the Unconditional Date.

(ii) Termination for default or insolvency of ADSB

If the JDA is terminated for default by or insolvency, dissolution or winding up of ADSB:

(a) ADSB must cease all operations on the Subject Sites, quit and return possession of the Subject Sites after completion of any restoration works, if requested by Perak Corp. All such restoration works must be completed within 30 days (or such other period agreed by Perak Corp, in consultation with PKNPk);

(b) Perak Corp shall be entitled to retain all monies received and to claim for damages from ADSB for losses incurred by reason of or caused by the default of ADSB;

(c) Perak Corp shall be entitled to institute proceedings for remedy of specific performance, together with full reimbursement of all costs and expenses incurred in the enforcement of such remedy; and

SALIENT TERMS OF THE JDA *(CONT'D)*

(d) Perak Corp shall be entitled to take over the Development and appoint a contractor to continue the Development. All costs and expenses reasonably incurred for such appointment as well as all costs for completion of the Development shall be paid by ADSB.

(iii) Termination for default or insolvency of Perak Corp

If the JDA is terminated for default by or insolvency, dissolution or winding up of Perak Corp, ADSB shall be entitled to claim for reimbursement of all costs and expenses incurred up to the effective date of termination.

(iv) Notwithstanding anything contained in the JDA, the termination of the JDA will not affect those parcels of sold or unsold Industrial Lots. Perak Corp and ADSB must continue to perform their obligations in respect of the Industrial Lots in accordance with the terms of the JDA. The respective rights, title and interests to PKNPk's Basic Revenue Share and Perak Corp's Revenue Share comprised in such Industrial Lots shall remain unaffected.

Governing Law **:** The laws of Malaysia.

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