

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

JOINT DEVELOPMENT AGREEMENT BETWEEN PERAK CORPORATION BERHAD AND ADVANCECON DEVELOPMENT SDN. BHD., AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, FOR THE JOINT DEVELOPMENT OF SILVER VALLEY TECHNOLOGY PARK INDUSTRIAL HUB

1. INTRODUCTION

Reference is made to the Company's announcement dated 27 November 2023 on Advancecon Development Sdn. Bhd. ("ADSB") accepted the Letter of Award ("LOA") from Perak Corporation Berhad ("Perak Corp") for the appointment of ADSB as joint venture partner for the development of the main infrastructure for the Silver Valley Technology Park ("SVTP") Industrial Hub and sale of completed industrial lots with main infrastructure on thirty-nine (39) pieces of leasehold lands measuring 798.32 acres all located in Mukim Hulu Kinta, Daerah Kinta, Perak ("Lands") for an estimated Total Gross Development Value of RM1,032,755,328 ("Joint Development")("Announcement"). Unless otherwise stated, the words and abbreviations used herein shall have the same meaning as those defined in the Announcement.

The Board of Directors of Advancecon wishes to further announce that ADSB, an indirect wholly-owned subsidiary of the Company had on 8 January 2024 entered into a Joint Development Agreement ("JDA") with Perak Corp, to fund and undertake the development of the main infrastructure works for the SVTP Industrial Hub and sale of completed industrial lots with main infrastructure on the Lands, subject to the terms and conditions contained therein and the JDA.

(ADSB and Perak Corp shall hereinafter be collectively referred to as the "Parties" and individually as the "Party").

2. DETAILS OF JOINT DEVELOPMENT

The Parties are jointly to undertake the development and sale of SVTP Industrial hub for duration of five (5) years, subject to all relevant approvals of the relevant authorities and the provisions stated in the JDA. The Joint Development will be undertaken in three (3) phases as follows in accordance with the demand from the end-purchasers:

Phase	Acres	Nett Acreage (Excluding PKNPk Reserved Land, Ponds, Other Reserves)
1	274.85	144.11
2	206.31	179.25
3	265.57	207.35
Ponds	51.59	-
Total	798.32	530.71

The total completion period of the Joint Development shall be within five (5) years from the unconditional date of the JDA or such other extended period as may be mutually agreed.

The Gross Development Value for the project is approximately RM1 billion and at this juncture, the development is still at its early stage of planning. Hence, it is too preliminary to estimate the gross development costs.

3. INFORMATION OF THE PARTIES

3.1 Perbadanan Kemajuan Negeri Perak (“PKNPk”)

PKNPk, the holding corporation of Perak Corp, is a body corporate established under the Perak State Corporation Enactment 1967 and having its principal place of business at No. 1-A, Block A, Menara PKNP, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan.

3.2 Perak Corporation Berhad (“Perak Corp”)

Perak Corp was incorporated on 11 January 1991 and it is a public company listed on the Main Market of Bursa Securities Malaysia Berhad (“**Bursa Securities**”) and having its business address at No. 1-A, Block B, Menara PKNP, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan.

Perak Corp has an issued share capital of RM100 million comprising 100 million ordinary shares and is principally involved in property and investment holding, real property development and provision of management services.

The directors of Perak Corp are as follows:

Name of directors	No. of shares held	%
Datuk Redza Rafiq Bin Abdul Razak	-	-
Datuk Seri Dr. Hj Hasim Bin Hasan	-	-
Dato’ Seri Ir. Mohamad Othman Bin Zainal Azim	-	-
Andy Liew Hock Sim	-	-
Tan Chee Hau	-	-
Ahmad Yani Bin Aminuddin	-	-
Faizul Hilmy Bin Ahmad Zamri	-	-
Noor Azlin Binti Zainal Abidin	-	-

3.3 ADSB

ADSB was incorporated in Malaysia on 19 October 2023 as a private limited company under the Companies Act, 2016 and with its a company registered under the Companies Act 2016 and with its business address at No. 16, 18 & 20, Jalan Pekaka 8/3, Seksyen 8, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

ADSB is a wholly-owned subsidiary of Advancecon Ventures Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company.

ADSB has an issued share capital of RM10.00 comprising 10 ordinary shares and is principally involved in property investment, development and construction.

The directors and the shareholder of the ADSB are as follows:

Name	No. of shares	%
<u>Directors</u>		
Dato’ Phum Ang Kia	-	-
Tung Kai Hung	-	-
<u>Shareholder</u>		
Advancecon Ventures Sdn Bhd	10	100%

3.4 Information and Joint Development on the Lands

PKNPk is the registered owner of forty-two (42) parcels of leasehold land held under the land descriptions as set out in JDA all located in Mukim Hulu Kinta, Daerah Kinta, Perak, measuring approximately 816.08 acres in area free from all encumbrances under the zoning of commercial with land use of industrial and commercial ("**Total PKNPk Lands**") in the key plan and site plan, attached to JDA. As at the date of JDA, the issue document of titles to the Total PKNPk Lands are in the possession of PKNPk.

The development Lands comprises a leasehold land measuring a total area of approximately 798.32 acres and held under thirty-nine (39) parcels of land located in Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan.

PKNPk's mandate to spearhead the socio-economic growth of the State of Perak. Perak Corp and PKNPk entered into a joint venture agreement ("**JVA**") for the collaboration between Perak Corp and PKNPk to carry out the development of SVTP Industrial Hub and the JVA spelled out the respective contributions and obligations of Perak Corp and PKNPk. Perak Corp has, pursuant to its obligations under the JVA, appointed ADSB as joint venture partner for the development of the Lands.

Perak Corp and ADSB agreed to collaborate and jointly carry out the construction, development and completion of all the main infrastructure on the Lands for the SVTP Industrial Hub subject to all relevant approvals of the relevant authorities together with the sale of the industrial lots completed with the main infrastructure to end purchasers.

The main infrastructure comprises roads and related ancillary works, side tables of the roads, drains, sewerage systems, gas and water reticulation systems, electrical cables, street lightings, water pipes, telephone cables, sewer lines, man-hole and covers and any other related ancillary work to be constructed, laid upon or installed upon the Lands as approved by the relevant authorities.

The development shall be carried out on the Lands and Perak Corp shall procure PKNPk to provide the Lands, subject to the JDA, free from encumbrances on an as is where is basis in such manner and time as determined by the joint management committee ("**JMC**") which shall comprise three (3) members, one (1) representative each nominated by PKNPk, Perak Corp and ADSB.

PKNPk shall retain all its right over the lands held under title numbers Lot 8, Lot 10 and three (3) other parcels, which are located within the Lands ("**PKNPk Reserved Lands**") and has the full rights to deal with them as PKNPk deems fit.

A valuation on the Lands has been carried out by an independent valuer, Messrs Firdaus & Associates Property Professionals Sdn Bhd ("**Valuer**"), based on a market value basis.

4. SALIENT TERMS OF THE JDA

According to the JDA, the salient terms of the JDA amongst others, are the following:

4.1 CONDITIONS PRECEDENT

4.1.1 The Joint Development shall be for a period of five (5) years from the effective date of fulfilment of the following conditions precedent:

- a) ADSB obtaining appropriate authorities' approval for the development;
- b) Perak Corp and ADSB obtaining their shareholders' approval, if required;
- c) Perak Corp and ADSB obtaining the approval from Bursa Securities or other regulatory bodies' approval, if required;
- d) The written undertaking from PKNPk, that the Land are free from all encumbrances and the original issue document of titles of the Land shall be released to Perak Corp immediately, at written request of Perak Corp for change of land category, condition or restriction, or charging of the Lands excluding PKNPk's Reserved Lands to a third-party financier by ADSB, subject to and in accordance with the provisions of the JDA to be signed by the parties; and
- e) ADSB has obtained the financing facility or other financial arrangement from financial institution(s) for the Joint Development;

within fifteen (15) months from the date of the JDA, or such other extended period as may be mutually agreed.

(collectively referred to as "Conditions Precedent")

4.1.2 In the event that any of the Conditions Precedent is not fulfilled or obtained or performed by the respective Parties within the Conditional Period, despite all reasonable efforts by the Parties hereto, or in the event the conversion approval is rejected, thus the JDA shall terminate and automatically lapse whereupon:

- a) If the non-fulfillment is caused by or attributable to the default of Perak Corp, Perak Corp shall refund all deposits or advances in relation to Perak Corp's obligations under the Joint Development (if any) paid by ADSB, free of interest and reimburse ADSB all direct cost and expense incurred by ADSB pursuant to the JDA, subject to productions of documents to substantiate the cost and expense claimed, and ADSB shall within thirty (30) business days upon demand by Perak Corp remove all its belongings from the Lands, exit the Lands and return the Lands to PKNPk; and Perak Corp shall within thirty (30) business days or such other period agreed by PKNPk restore the Lands in connection with all damage occasioned to the Lands; or
- b) If the non-fulfillment is caused by or attributable to the default of ADSB, ADSB shall reimburse all direct cost and expenses incurred by Perak Corp and PKNPk pursuant to the JDA, subject to productions of documents to substantiate the cost and expense claimed, and ADSB shall remove all its belongings from the Lands, exit the Lands and return the Lands to Perak Corp/PKNPk, after having completed any restoration works which must be done within thirty (30) business days or such other period agreed by Perak Corp (in consultation with PKNPk) in connection with all damage occasioned to the Lands; or
- c) If the non-fulfillment is caused by a default of PKNPk, Perak Corp shall procure PKNPk to refund all advances in relation to PKNPk's obligations under the Joint Development (if any) paid by ADSB, free of interest and reimburse all direct cost and expenses incurred by ADSB pursuant to the JDA, subject to productions of documents to substantiate the cost and expense claimed, and ADSB shall within thirty (30) business days upon demand by Perak Corp remove all its belongings from the Lands, exit the Lands and return the Lands to Perak Corp /PKNPk, on an as is where is basis; or
- d) If the non-fulfillment is not due to the fault of either Party, Perak Corp shall refund all deposits and advances in relation to Perak Corp's obligations under the Joint Development and procure PKNPk to refund all advances in relation to PKNPk's obligations under the Joint Development paid by ADSB free of interest, and ADSB shall remove all its belongings from the Lands, exit the Lands and return the Lands to Perak Corp/PKNPk, after Perak Corp/ADSB having completed all restoration works which must be done within thirty (30) days or such other period agreed by Perak Corp (in consultation with PKNPk) in connection with any

damage occasioned to the Lands. In the event Perak Corp fails to procure PKNPk to refund or reimburse the payments as aforesaid to ADSB within a reasonable time, Perak Corp shall be responsible to refund all such payments within thirty (30) business days upon demand by ADSB,

after which the JDA will be of no further force and effect and thereafter the Parties shall be released from all further obligations to each other.

4.2 BASIS OF CONSIDERATION

4.2.1 PKNPk's Basic Revenue Share

Under the JVA, PKNPk is entitled to PKNPk's Basic Revenue Share (as defined under the JVA), which is a sum equivalent to RM9.70 per square foot of each of the Industrial Lots (excluding PKNPk's Reserved Lands) sold to end-purchaser.

4.2.2 Perak Corp's Revenue Share

In consideration of Perak Corp's roles and obligations under the JDA, subject to the full payment of all Development Costs, Perak Corp is entitled to a sum equivalent to 35% of the nett development value (as defined as GDV less Development Cost before tax as described in the JDA). The payment of Perak Corp's Revenue Share is subject to the full payment of all Development Cost.

4.2.3 Developer's Revenue Share

Subject to the full payment of all Development Cost, PKNPk's Basic Revenue Share and Perak Corp's Revenue Shares, ADSB is entitled to sum equivalent to 65% of the nett development value.

5. ESTIMATED FINANCIAL COMMITMENT

Save for the payment of the outstanding quit rents amounting to RM12,642,494.60 shall be advanced by ADSB and the future development cost to be incurred for the development of the project.

The Board does not foresee any other material financial commitment to be incurred by the Company pursuant to the Joint Development. The associated development cost for the project is expected to be funded by ADSB via a combination of internally generated funds by the project, private placement (if necessary), external bank borrowings and/or shareholders' advances, the quantum of which will only be determined at a later stage after taking into consideration, among others, the actual funding required and eventual amount of bank borrowings to be procured by ADSB.

6. RATIONALE AND PROSPECTS

With Advancecon having thirty (30) years of experience in providing construction-related services to reputable property developers and undertaking major infrastructure projects. The collaboration with the state government of Perak will allow Advancecon to venture into new markets segment which to align with the Company's business diversification strategy and will accelerate future growth for Advancecon.

7. FINANCIAL EFFECTS

The JDA is not expected to have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as it does not involve the issuance of any new ordinary shares in the Company.

The JDA is not expected to have any material impact on the Company's earnings per share, net assets and gearing for the current financial year ending 31 December 2023. However, it is expected to contribute positively to the future earnings of the Company.

8. RISK FACTORS

The joint venture with Perak Corp is subject to terms and conditions of the JDA. There is no assurance that the joint venture will not be exposed to risks such as inability to fulfil the terms and conditions of the JDA.

The joint venture would subject the Company to risks inherent in the property development business activity, such risks may include sensitivity to economic, market and political conditions, financing risk, delays in commencement and completion, competition from other property developer and dependence on key personnel. Any adverse changes in these conditions may have material adverse effects on the Company.

9. APPROVALS REQUIRED

The JDA for the Joint Development does not fall under the ambit of Paragraph 10.02(l) of the MMLR of Bursa Securities in view of the JDA for the Joint Development is an ordinary course of business of ADSB and is not subject to the approval of the shareholders of Advancecon and/or any other regulatory authorities.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors and major shareholders of the Company, and/or persons connected with them has any direct or indirect interests in the JDA.

11. DIRECTORS' STATEMENT

The Board, having taken into consideration all aspects of the JDA, is of the opinion that the JDA is in the best interest of the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The JDA is available for inspection at the Company's registered office B-21-1, Level 21, Tower B Northpoint Mid Valley City No. 1, Medan Syed Putra Utara 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 8 January 2024.