

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS
ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") ACCEPTANCE OF THE OFFER LETTERS FROM PERBADANAN KEMAJUAN NEGERI SELANGOR BY ADVANCECON MACHINERY SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF ADVANCECON, FOR THE PROPOSED ACQUISITION OF 1 PARCEL OF LEASEHOLD INDUSTRIAL LAND LOCATED AT LOT 21 AND 1 PARCEL OF LEASEHOLD INDUSTRIAL LAND LOCATED AT LOT 23, JALAN KOTA PUTERI 6, KAWASAN INDUSTRI SEKSYEN 6, KOTA PUTERI, BANDAR BATU ARANG, DAERAH GOMBAK ("PROPOSED ACQUISITION")

ADVANCECON HOLDINGS BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") ACCEPTANCE OF THE OFFER LETTERS FROM PERBADANAN KEMAJUAN NEGERI SELANGOR BY ADVANCECON MACHINERY SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF ADVANCECON, FOR THE PROPOSED ACQUISITION OF 1 PARCEL OF LEASEHOLD INDUSTRIAL LAND LOCATED AT LOT 21 AND 1 PARCEL OF LEASEHOLD INDUSTRIAL LAND LOCATED AT LOT 23, JALAN KOTA PUTERI 6, KAWASAN INDUSTRI SEKSYEN 6, KOTA PUTERI, BANDAR BATU ARANG, DAERAH GOMBAK ("PROPOSED ACQUISITION")

The Board of Directors of Advancecon ("Board") is pleased to announce that Advancecon Machinery Sdn Bhd, a wholly-owned subsidiary of Advancecon, had on 28 February 2018 accepted two (2) separate offer letters from Perbadanan Kemajuan Negeri Selangor dated 20 December 2017 for the Proposed Acquisition of the Lot 21 for a purchase consideration of RM6,518,084.30 ("Lot 21 Offer Letter") and Lot 23 for a purchase consideration of RM7,227,976.64 ("Lot 23 Offer Letter") (collectively, the "Offer Letters"). The total purchase consideration for the Lot 21 and Lot 23 Lands amounting to an aggregate of RM13,746,060.94 ("Purchase Consideration").

Please refer to the attachment for further details on the Proposed Acquisition.

This announcement is dated 28 February 2018.

Please refer attachment below.

Attachments

Advancecon-Proposed Acquisition (for bursa release).pdf
368.6 kB

Announcement Info

Company Name ADVANCECON HOLDINGS BERHAD

Stock Name	ADVCON
Date Announced	28 Feb 2018
Category	General Announcement for PLC
Reference Number	GA1-28022018-00126

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

ACCEPTANCE OF THE OFFER LETTERS FROM PERBADANAN KEMAJUAN NEGERI SELANGOR ("PKNS" OR "VENDOR") BY ADVANCECON MACHINERY SDN BHD ("ADVANCECON MACHINERY" OR "PURCHASER"), A WHOLLY-OWNED SUBSIDIARY OF ADVANCECON, FOR THE PROPOSED ACQUISITION OF THE FOLLOWING LAND:-

- I. 1 PARCEL OF LEASEHOLD INDUSTRIAL LAND LOCATED AT LOT 21, JALAN KOTA PUTERI 6, KAWASAN INDUSTRI SEKSYEN 6, KOTA PUTERI, BANDAR BATU ARANG, DAERAH GOMBAK ("LOT 21"); AND**
- II. 1 PARCEL OF LEASEHOLD INDUSTRIAL LAND LOCATED AT LOT 23, JALAN KOTA PUTERI 6, KAWASAN INDUSTRI SEKSYEN 6, KOTA PUTERI, BANDAR BATU ARANG, DAERAH GOMBAK ("LOT 23")**

(LOT 21 AND LOT 23 ARE COLLECTIVELY REFERRED TO AS THE "SUBJECT LAND")

MEASURING IN AGGREGATE OF APPROXIMATELY 42,649 SQUARE METRES FOR A TOTAL PURCHASE CONSIDERATION OF RM13,746,060.94 ("PROPOSED ACQUISITION")

1. INTRODUCTION

The Board of Directors of Advancecon ("**Board**") is pleased to announce that Advancecon Machinery, a wholly-owned subsidiary of Advancecon, had on 28 February 2018 accepted two (2) separate offer letters from PKNS dated 20 December 2017 for the Proposed Acquisition of the Lot 21 for a purchase consideration of RM6,518,084.30 ("**Lot 21 Offer Letter**") and Lot 23 for a purchase consideration of RM7,227,976.64 ("**Lot 23 Offer Letter**") (collectively, the "**Offer Letters**"). The total purchase consideration for the Subject Land amounting to an aggregate of RM13,746,060.94 ("**Purchase Consideration**").

The Offer Letters are subject to the relevant sale and purchase agreements ("**SPAs**") to be executed at a later date. The Company and its solicitors together with PKNS are currently in the midst of drafting the respective SPAs and announcement will be made upon execution of the aforesaid SPAs. For the avoidance of doubt, the Company will set out the salient terms of the SPAs, the rationale as well as the risk factors of the Proposed Acquisition.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information of the Subject Land

(i) Lot 21

Registered Owner	PKNS
Title Particulars	HS(M) 23116 PT 830
Category of Land Use	"Perusahaan/ Perindustrian"
Land Area	20,223 square metres (217,678.56 square feet)
Tenure	Leasehold 99 years. Term expiring on 4 th February 2104
Net Book Value	Not available
Encumbrances	Nil

Restriction-in-interest	"Tanah ini tidak boleh dipindahmilik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri."
(ii) Lot 23	
Registered Owner	PKNS
Title Particulars	HS(M) 23117 PT 831
Category of Land Use	"Perusahaan/ Perindustrian"
Land Area	22,426 square metres (241,391.45 square feet)
Tenure	Leasehold 99 years. Term expiring on 4 th February 2104
Net Book Value	Not available
Encumbrances	Nil
Restriction-in-interest	"Tanah ini tidak boleh dipindahmilik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri."

The Subject Land are situated along Jalan Kota Puteri 6, Kawasan Industri Seksyen 6, Kota Puteri, Bandar Batu Arang, Daerah Gombak, Selangor. The surrounding area consists of plots of industrial land.

2.2 Information on Vendor

The Vendor or PKNS, is a statutory body incorporated under the Selangor State Development Corporation Enactment 1964 and with its place of business at Laman PKNS, No. 2, Jalan Indah 14/8, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan.

2.3 Information on Advancecon Machinery

Advancecon Machinery was incorporated in Malaysia under the then Companies Act, 1965 as a private limited company on 13 September 1994 under the name of Advancemix Sdn Bhd. On 23 September 2010, Advancecon Machinery assumed its current name. It is principally engaged in the business of providing earth-moving machinery for hire and transportation agent. It commenced operations on 13 September 1994.

Advancecon Machinery is a wholly-owned subsidiary of Advancecon and its directors are Dato' Phum Ang Kia and Lim Swee Chai.

2.4 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was arrived at between the parties on a "willing-buyer willing-seller" basis after taking into consideration the indicative market value of the Subject Land of RM 13,770,000.

In addition, in arriving at the Purchase Consideration, the Board has also taken into consideration the strategic location of the Subject Land given their close proximity to Advancecon and its subsidiaries ("Advancecon Group" or the "Group")'s recently tendered/ secured earthworks and/ or civil engineering projects located at the northern Selangor region (i.e. the Gombak District).

The indicative market value was opined by Henry Butcher Malaysia (SEL) Sdn Bhd, an independent registered valuer, using the Comparison Approach as set out in their valuation letter dated 20 February 2018.

2.5 Salient terms of the Offer Letters

2.5.1 Lot 21 Offer Letter

(i) Payment Schedule

First payment (20%) (RM1,303,616.86)	A total net payment of RM1,298,616.86 (after deducting RM5,000.00 deposit payment) must be made within one (1) month from the date of the Lot 21 Offer Letter which is on or before 19 January 2018 ^{*1} .
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5% of the total purchase consideration for Lot 21 will not be refunded in the event the purchaser failed to repay the total purchase consideration for Lot 21.

Second payment (80%) (RM5,214,467.44)	Payment must be made within three (3) months from the date of the Lot 21 Offer Letter which is on or before 19 March 2018.
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Note:-

^{*1} For the avoidance of doubt, PKNS had subsequently granted Advancecon Machinery an extension of time to make the first payment by 28 February 2018.

(ii) Real Conditions

"Tanah yang ditawarkan and diberimilik tidak boleh dipindahmilik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri."

"Pembeli tidak dibenarkan membuat sebarang penukaran jenis bidang perindustrian melainkan dengan kelulusan PKNS".

(iii) SPA

SPA shall be executed once it is ready and after the first payment is being made.

2.5.2 Lot 23 Offer Letter

(i) Payment Schedule

First payment (20%)
(RM1,445,595.33)

A total net payment of RM1,440,595.33 (after deducting RM5,000.00 deposit payment) must be made within one (1) month from the date of the Lot 23 Offer Letter which is on or before 19 January 2018^{*1}.

5% of the total purchase consideration for Lot 23 will not be refunded in the event the purchaser failed to repay the total purchase consideration for Lot 21.

Second payment (80%)
(RM5,782,381.31)

Payment must be made within three (3) months from the date of the Lot 23 Offer Letter which is on or before 19 March 2018.

Note:-

^{*1} For the avoidance of doubt, PKNS had subsequently granted Advancecon Machinery an extension of time to make the first payment by 28 February 2018.

(ii) Real Conditions

"Tanah yang ditawarkan and diberimilik tidak boleh dipindahmilik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri."

"Pembeli tidak dibenarkan membuat sebarang penukaran jenis bidang perindustrian melainkan dengan kelulusan PKNS".

(iii) SPA

SPA shall be executed once it is ready and after the first payment is being made.

2.6 Source of funding

The Proposed Acquisition shall be funded via internally generated funds and/ or bank borrowings, the breakdown of which shall be finalised at a later date upon the execution of SPAs. For the avoidance of doubt, the internally generated funds shall exclude the proceeds from the Company's initial public offering exercise.

2.7 Liabilities to be assumed

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the SPAs to be entered at a later date, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by the Advancecon Group arising from the Proposed Acquisition.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED ACQUISITION

The Group has recently secured several earthworks and civil engineering projects located at the northern Selangor region (i.e. the Gombak District), which includes, amongst others, Site Clearing, Earthworks and Ancillary Works for Gamuda Gardens with contract value approximately RM 32.67 million, several Site Clearing, Earthworks and Ancillary Works for Bandar Serai Development with combined contract value of approximately RM 27.58 million, Proposed Construction and Completion of Earthworks and Other Related Works at Lot Pt 6228 – PT 6239, PT 6241, PT 6242 and PT 6244, Mukim Ijok with contract value of approximately RM 69.80 million, and Site Clearing, Earthworks and Ancillary Works for Alam Perdana Development with contract value of approximately RM 45.83 million. The duration for the aforesaid projects range from 12 – 24 months.

After taking into consideration the location of the aforementioned projects, the future expansion of the Company's fleet of machinery as well as the possibility of the Group securing more infrastructure projects at the northern Selangor region, the Board is of the view that the Group needs to construct a workshop within close proximity to the aforementioned projects located at the northern Selangor region ("**Kota Puteri Workshop**") in order to allow the Group to have better flexibility and convenience for its internal servicing team to perform repair and maintenance services for its machinery and equipment catered for the aforementioned projects on a timely basis.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

4.1 Issued and paid-up share capital

The Proposed Acquisition will not have any effect on the issued share capital of the Company as the Purchase Consideration will be satisfied entirely by cash.

4.2 Net Assets ("NA") per Share and Gearing

The Proposed Acquisition will not have any material impact on the NA and gearing of the Group for the financial year ending 31 December 2018.

4.3 Substantial shareholding structure

The Proposed Acquisition will not have any effect on the substantial shareholders' shareholdings of the Company as the Purchase Consideration does not involve issuance of new Advancecon Shares.

4.4 Earnings and Earnings per share ("EPS")

The Proposed Acquisition is not expected to have any material effect on the earnings and EPS of the Advancecon Group for the financial year ending 31 December 2018.

5. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 17.94%.

6. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of the shareholders of Advancecon.

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

None of the Directors and/ or major shareholders of Advancecon and/ or persons connected to them have any interests, whether direct or indirect, in the Proposed Acquisition.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisition is of the opinion that the Proposed Acquisition is in the best interest of the Company.

9. ESTIMATED TIMEFRAME FOR ENTERING INTO THE SPAs

Further details on the Proposed Acquisition including the salient terms of the SPAs, the rationale as well as the risk factors of the Proposed Acquisition will be set out in the announcement to be made to Bursa Malaysia Securities Berhad upon the execution of the SPAs, which is expected to be executed in within three (3) months from the date of this announcement.

10. DOCUMENT AVAILABLE FOR INSPECTION

The Offer Letters will be made available for inspection at the registered office of the Company, Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 28 February 2018.