

# SETTLEMENT AGREEMENT BETWEEN SE SATU SDN. BHD. ("SE SATU") AND SPRING ENERGY SDN. BHD. ("SESB"), ITS INDIRECT 51% OWNED SUBSIDIARIES WITH CITAGLOBAL BERHAD (FORMERLY KNOWN AS WZ SATU BERHAD) AND SALE AND PURCHASE AGREEMENT BETWEEN SINERGI DAYANG SDN. BHD. AND SE SATU

## ADVANCECON HOLDINGS BERHAD

<b>Type</b>	Reply to Query
<b>Reply to Bursa Malaysia's Query Letter - Reference ID</b>	IQL-27122022-00002
<b>Subject</b>	SETTLEMENT AGREEMENT BETWEEN SE SATU SDN. BHD. ("SE SATU") AND SPRING ENERGY SDN. BHD. ("SESB"), ITS INDIRECT 51% OWNED SUBSIDIARIES WITH CITAGLOBAL BERHAD (FORMERLY KNOWN AS WZ SATU BERHAD) AND SALE AND PURCHASE AGREEMENT BETWEEN SINERGI DAYANG SDN. BHD. AND SE SATU
<b>Description</b>	ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR "THE COMPANY") - SETTLEMENT AGREEMENT BETWEEN SE SATU SDN. BHD. AND SPRING ENERGY SDN. BHD., ITS INDIRECT 51% OWNED SUBSIDIARIES WITH CITAGLOBAL BERHAD (FORMERLY KNOWN AS WZ SATU BERHAD) AND SALE AND PURCHASE AGREEMENT BETWEEN SINERGI DAYANG SDN. BHD. AND SE SATU SDN. BHD.
<b>Query Letter Contents</b>	<p>We refer to your Company's announcement dated 22 December 2022, in respect of the aforesaid matter.</p> <p>In this connection, kindly furnish Bursa Securities with the following additional information for public release:-</p> <p>1) Section 2.1</p> <p>a) To state whether there is any subsidiary company held under SE Satu. To also state whether there is any other asset e.g. land or building held by SE Satu.</p> <p>b) To provide summary of the audited and/or unaudited financial information on SE Satu for the past 3 years including net profits and net assets.</p> <p>2) Section 3</p> <p>To provide the following information on the Land:</p> <p>a) The size of the land (in square meter or hectare).</p> <p>b) Type of estate or plantation and present use of the Land.</p> <p>c) Age/ maturity of the crops and past production of the crops as well as the revenue/profit generated for the past 3 years (if any).</p> <p>3) Section 4</p>

c) Section 4

a) To provide basis of arriving at the following considerations, other than on a “willing buyer willing seller” basis:

i) RM4,796,204.97 or RM1.38 per ordinary shares in SE Satu in respect of the Proposed Acquisition; and

ii) RM10,081,822.50 in respect of the Proposed Disposal.

b) To state the estimated market value of the surrounding Land and the basis in arriving at the estimated market value as well as to explain how such information was obtained if there was no independent market valuation carried out for the Land. To also state whether the Disposal Consideration is at a premium or discount to the estimated market value and justification of the same.

c) To state reason for selling the Land at a discount to net book value of the Land as at 31 December 2021.

4) Section 5

a) To further explain on the mode of settlement for the 2 transactions by disclosing the deposit sum already paid together with the source of funding (if any) and the detailed steps/methods in settling the balance consideration sum to show how the consideration amount will be used to settle/partly-settle the amount owing between the parties involved.

b) To provide other salient terms of the SPA including but not limited to information on conditions precedent, events of default and the applicable termination and penalty clauses.

5) Section 6

a) To provide the rationale for undertaking debt settlement by SESB acquiring balance 49% stake in SE Satu but parting with its asset i.e. Land held by SE Satu pursuant to the Proposed Disposal.

b) To quantify the outstanding amount owed by SE Satu to SESB and/or CGB and the purpose of the loan extended by SESB and/or CGB.

c) To explain the urgency in recovering part of the outstanding amount owing between the parties by undertaking the Proposed Acquisition and the Proposed Disposal and how the proposals are regarded as the best possible arrangement by comparing it with other option(s) explored. To also disclose the future plans for SE Satu upon completion of the Proposed Acquisition.

d) To state the intended utilisation of the sale proceeds from the Proposed Disposal together with the breakdown amount for each purpose of utilisation and the estimated timeframe for full utilisation of proceeds

process.

6) Section 8

To provide a note to explain/illustrate the increase in the 'Reserves' and 'Shareholders'equity' for the 'After Disposal' scenario.

7) Section 11

To state whether the Proposed Acquisition and the Proposed Disposal are inter-conditional/ conditional upon each other.

8) Others

To quantify the expected profit/ loss from the Proposed Disposal to ADVCON group and illustrate how to derive at the said amount.

Please furnish Bursa Securities with your reply within one (1) market day from the date hereof.

Please also furnish to the Exchange the computation of percentage ratios applicable to the Proposed Acquisition and the Proposed Disposal.

Yours faithfully,

**Listing**

**Regulation**

Cc : Market Surveillance Dept. , Securities Commission

Reference is made to the Company's announcement dated 22 December 2022 in respect of the Settlement Agreement between SE Satu Sdn. Bhd. and Spring Energy Sdn. Bhd., its indirect 51% owned subsidiaries with Citaglobal Berhad (formerly known as WZ Satu Berhad) and Sale and Purchase Agreement between Sinergi Dayang Sdn. Bhd. and SE Satu Sdn. Bhd. ("Announcement"). Unless otherwise stated, all abbreviations used herein shall have the same meaning as those mentioned in the Announcement.

The Board of Directors of Advancecon wishes to inform that the Company had received Bursa Securities' request dated 27 December 2022 for additional information for public release as set out in the attachment below.

This announcement is dated 28 December 2022.

Please refer attachment below.

## Attachments

[Advancon\\_reply query \(to Bursa\).pdf](#)  
185.4 kB

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### Announcement Info

<b>Company Name</b>	ADVANCECON HOLDINGS BERHAD
<b>Stock Name</b>	ADVCON
<b>Date Announced</b>	28 Dec 2022
<b>Category</b>	General Announcement for PLC
<b>Reference Number</b>	GA1-28122022-00031

**Company Name** : ADVANCECON HOLDINGS BERHAD  
**Stock Name** : ADVANCECON  
**Reference Number** : IQL-27122022-00002  
**Date Announced** : 28 DECEMBER 2022  
**Type** : ANNOUNCEMENT  
**Subject** : Transactions (Chapter 10 of Listing Requirements)  
**Non-Related Party Transactions**  
**Description** : ADVANCECON HOLDINGS BERHAD (“ADVANCECON” OR “THE COMPANY”)  
- SETTLEMENT AGREEMENT BETWEEN SE SATU SDN. BHD. AND SPRING ENERGY SDN. BHD., ITS INDIRECT 51% OWNED SUBSIDIARIES WITH CITAGLOBAL BERHAD (FORMERLY KNOWN AS WZ SATU BERHAD) AND SALE AND PURCHASE AGREEMENT BETWEEN SINERGI DAYANG SDN. BHD. AND SE SATU SDN. BHD.

Reference is made to the Company’s announcement dated 22 December 2022 in respect of the Settlement Agreement between SE Satu Sdn. Bhd. and Spring Energy Sdn. Bhd., its indirect 51% owned subsidiaries with Citaglobal Berhad (formerly known as WZ Satu Berhad) and Sale and Purchase Agreement between Sinergi Dayang Sdn. Bhd. and SE Satu Sdn. Bhd. (“Announcement”). Unless otherwise stated, all abbreviations used herein shall have the same meaning as those mentioned in the Announcement.

The Board of Directors of Advancecon wishes to inform that the Company had received Bursa Securities’ request dated 27 December 2022 for additional information for public release.

The additional information are set out below:

**1) Section 2.1**

- a) To state whether there is any subsidiary company held under SE Satu. To also state whether there is any other asset e.g. land or building held by SE Satu.**

SE Satu has an 80%-owned subsidiary, namely SE Sinaran Sdn. Bhd. Other than the Land, SE Satu owns a piece of leasehold land and plant and machineries for its mining activities.

- b) To provide summary of the audited and/or unaudited financial information on SE Satu for the past 3 years including net profits and net assets.**

The summary of the audited financial information on SE Satu for the past 3 years are set out table below:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue	3,640,367	3,450,472	2,808,682
Gross loss	4,795,352	5,062,220	2,883,794
Loss after tax	7,724,104	7,223,463	3,411,176
Net assets	27,301,058	20,077,595	16,666,419
Gross loss margin	131.7%	146.7%	102.7%
Loss after tax margin	212.2%	209.3%	121.5%

## 2) Section 3

To provide the following information on the Land:

a) **The size of the land (in square meter or hectare).**

The size of the land is approximately 31.313 hectares.

b) **Type of estate or plantation and present use of the Land.**

Type of estate or plantation: Vacant agricultural land

Present use of the Land: Unoccupied

c) **Age/ maturity of the crops and past production of the crops as well as the revenue/profit generated for the past 3 years (if any).**

The Land has been unoccupied since 2017 therefore there were no production of crops as well as revenue/ profit generated for the past 3 years.

## 3) Section 4

a) **To provide basis of arriving at the following considerations, other than on a “willing buyer willing seller” basis:**

The acquisition consideration of RM4,796,204.97 or RM1.38 per ordinary share in SE Satu in respect of the Proposed Acquisition was arrived at based on the following:-

Net assets of SE Satu as at 31 May 2022		<b>RM</b> 18,669,897
Less:-		
25% of the value of 2 pieces of lands		(5,881,724)
Provision of impairment on receivables		(3,000,000)
Adjusted net assets of SE Satu as at 31 May 2022	(a)	<u>9,788,173</u>
Acquisition consideration	49% x (a)	4,796,205

The disposal consideration of RM10,081,822.50 in respect of the Proposed Disposal was arrived based on 25% discount of the original cost /NBV of RM13,442,430 as at 31 May 2022.

b) **To state the estimated market value of the surrounding Land and the basis in arriving at the estimated market value as well as to explain how such information was obtained if there was no independent market valuation carried out for the Land. To also state whether the Disposal Consideration is at a premium or discount to the estimated market value and justification of the same.**

For clarification, there was no independent valuation being carried out on the market value of the Land. However, the estimated market value of the Land was derived based on SE Satu's knowledge of the market value of the land surrounding the Land area coupled with the current market condition in which SE Satu had previously engaged a property agent to sell the Land by tender at a reserve price of RM10,500,000. As such, the disposal consideration of RM10,081,822.50 would be considered close to the tender price of the Land.

c) **To state reason for selling the Land at a discount to net book value of the Land as at 31 December 2021.**

The discount of 25% to the NBV of the Land was deemed reasonable by the Board to entice Sinergi Dayang Sdn Bhd to purchase the Land, given that the disposal consideration of RM10,081,822.50 would be considered close to the tender price of the Land.

#### 4) Section 5

- a) To further explain on the mode of settlement for the 2 transactions by disclosing the deposit sum already paid together with the source of funding (if any) and the detailed steps/methods in settling the balance consideration sum to show how the consideration amount will be used to settle/partly settle the amount owing between the parties involved.

The mode of settlement for the 2 transactions as set out below:

	<b>RM</b>
Disposal proceeds to be received by SE Satu from the disposal of the Land	10,081,822.50
Settlement of term loan by SE Satu	<u>(6,008,644.08)</u>
Balance to be used by SESB to part settle the acquisition consideration	4,073,178.42
Acquisition consideration to be paid by SESB to CGB	<u>(4,796,204.97)</u>
Outstanding Amount to CGB to be paid via 12 months instalments	<u>(723,026.55)</u>

For the avoidance of doubt, the net settlement sum that is required to be paid by SESB to CGB pursuant to the 2 transactions is RM723,026.55, which shall be satisfied via 12 months instalments.

- b) To provide other salient terms of the SPA including but not limited to information on conditions precedent, events of default and the applicable termination and penalty clauses.

The other salient terms of the SPA including but not limited to information on conditions precedent, events of default and the applicable termination and penalty clauses, as follows:

##### **Disposal Price**

- SE Satu shall dispose the Sg. Karang Land to Sinergi Dayang at the value of RM10,081,822.50.

##### **Completion Period**

- The transaction must be completed within four (4) months from 22 December 2022.

##### **Loan Redemption Sum**

- The loan redemption sum of RM6,008,644.08 ("Loan Redemption Sum") is to be paid by Sinergi Dayang to the Chargee.

##### **Stamp Duty**

- Stamping cost to be borne by Sinergi Dayang.

##### **Balance Purchase Price**

- Payments of the Differential Sum to be paid in accordance with the Settlement Agreement and the SPA shall be subject to the terms and conditions of the Settlement Agreement.

##### **Event of Default**

- In the event of default of payment by the purchaser, it is hereby agreed between the Vendor and the Purchaser that the transaction may be mutually terminated in writing by the Parties subject to the terms and condition as stated in clause 7.1 of the SPA.
- If the Vendor shall wilfully fail to complete the sale herein in accordance with this Agreement and the Settlement Agreement, the Purchaser shall be entitled at their sole discretion to require the Vendor to refund to the Purchaser in payment of the Purchase Price within fourteen (14) days from the date of receipt of notice of termination subject to the terms and condition as stated in clause 8.1 of the SPA.

##### **Payment of Redemption Sum**

- The Purchaser shall pay redemption sum to the Vendor's Financier within thirty (30) days from the receipt of the redemption statement by the Purchaser's solicitors failing which the Purchaser shall pay all interest imposed by the Vendor's Financier from the expiry of said 30 days until the redemption sum is fully settled by the Purchaser as stated in item 1 of the second schedule of the SPA.

## 5) Section 6

- a) **To provide the rationale for undertaking debt settlement by SESB acquiring balance 49% stake in SE Satu but parting with its asset i.e. Land held by SE Satu pursuant to the Proposed Disposal.**

For clarification, the disposal of the Land would allow SESB to utilise the proceeds from the disposal to partly satisfy the Acquisition Consideration (i.e. RM4,796,204.97), while at the same time, allowing CGB to dispose its entire equity interest in SE Satu and thereby exiting the mining industry.

- b) **To quantify the outstanding amount owed by SE Satu to SESB and/or CGB and the purpose of the loan extended by SESB and/or CGB.**

The amount owed by SE Satu to SESB is RM3,516,892 as at 31 October 2022, mainly arising from trade transactions.

- c) **To explain the urgency in recovering part of the outstanding amount owing between the parties by undertaking the Proposed Acquisition and the Proposed Disposal and how the proposals are regarded as the best possible arrangement by comparing it with other option(s) explored. To also disclose the future plans for SE Satu upon completion of the Proposed Acquisition.**

The Proposed Disposal will be enable SE Satu to settle its outstanding term loan for the Land and allow SE Satu to incur less finance cost.

As the Land was left idle and does not generate any economic benefit to the Company, and there was no other buyer interested to acquire the land at the time being, the Proposed Disposal and the Proposed Acquisition (which are both packaged together) with CGB is regarded as the best option for SE Satu to reduce its liabilities.

SE Satu is looking to dispose its other land in order to ease the cash flow of the Group.

- d) **To state the intended utilisation of the sale proceeds from the Proposed Disposal together with the breakdown amount for each purpose of utilisation and the estimated timeframe for full utilisation of proceeds.**

As highlighted above, the sales proceeds from the disposal of the Land will be firstly used to settle SE Satu's term loan, and the remaining balance will be utilised by SESB to part finance the acquisition consideration.

## 6) Section 8

**To provide a note to explain/illustrate the increase in the 'Reserves' and 'Shareholders' equity' for the 'After Disposal' scenario.**

	<b>Audited as at 31 December 2021 RM</b>	<b>After Disposal RM</b>
Reserves	101,435,798	101,604,688 <sup>*1</sup>
Shareholders' equity	215,575,390	215,744,280 <sup>*1</sup>

**Note:-**

<sup>\*1</sup> After accounting for bargain purchase on acquisition of RM1,046,132 net off with loss of disposal of land of RM877,241.22.

## 7) Section 11

**To state whether the Proposed Acquisition and the Proposed Disposal are inter-conditional / conditional upon each other.**

The Proposed Acquisition is conditional upon Proposed Disposal but the Proposed Disposal is not conditional upon the Proposed Acquisition.



## 8) Others

To quantify the expected profit/ loss from the Proposed Disposal to ADVCON group and illustrate how to derive at the said amount.

		<b>RM</b>
Disposal consideration		10,081,823
Less:-		-
Net book value of the Land		(13,442,430)
Legal fees incurred		(12,100)
<b>Loss from disposal of the Land</b>	(a)	<u><b>(3,372,708)</b></u>
<b>Share of loss by SERB</b>	[51% x (a)] (b)	<b>(1,720,081)</b>
<b>Share of loss by Advancecon Group</b>	[51% x (b)]	<b>(877,241)</b>

This announcement is dated 28 December 2022.