

GADANG HOLDINGS BERHAD (“GADANG” OR THE “COMPANY”)

PROPOSED VARIATION TO THE TERMS OF THE JOINT VENTURE BETWEEN ACHWELL PROPERTY SDN BHD (“APSB”), A WHOLLY-OWNED SUBSIDIARY OF GADANG, AND CAPITAL CITY PROPERTY SDN BHD (“CCPSB”) FOR AN INTEGRATED DEVELOPMENT IN BANDAR JOHOR BAHRU, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR DARUL TAKZIM (“PROPOSED VARIATION”)

1. INTRODUCTION

Reference is made to the earlier announcements in relation to the following:

- (i) the joint venture agreement entered into between APSB and CCPSB (collectively, the “**Parties**”) on 26 December 2013 (“**Joint Venture Agreement**”) for the development and construction of an integrated development project comprising a Retail Podium (as defined in Section 2 below), three (3) tower blocks of office suites and two (2) tower blocks of hotel suites (“**Project**”), on an en-bloc development land which was made up of 84 parcels of land located along Jalan Tampoi (adjacent to Damansara Aliff), Tampoi, Johor Bahru, Johor Darul Takzim which were subsequently amalgamated and registered under a single title held under Geran 544822, Lot 48975, Bandar Johor Bahru, District of Johor Bahru, Johor Darul Takzim (“**Development Land**”) (“**Joint Venture**”), as well as the various supplemental agreements to vary, among others, certain components of the Project,

(the Joint Venture Agreement and the various supplemental agreements are hereinafter collectively referred to as the “**JVAs**”); and
- (ii) the conditional settlement agreement, put option agreement and call option agreement entered into between the Parties on 29 March 2019 to vary the terms of the JVAs (collectively, the “**First Settlement Agreement**”).

On 25 February 2020, the Company was made to understand that Capital World Limited (“**CWL**”), the ultimate holding company of CCPSB, had proposed to undertake a scheme of arrangement for the purposes of implementing and facilitating the restructuring of its debt obligations and liabilities. CCPSB had also on 14 February 2020 filed an application in the High Court of Malaya, Kuala Lumpur (“**High Court**”) for an order to place itself under judicial management (“**JM Proceedings**”). Pursuant to an order of the Judicial Commissioner of the High Court dated 13 March 2020 (“**JM Order**”), CCPSB was placed under judicial management and a judicial manager (“**Judicial Manager**”) was appointed to manage the affairs, business and property of CCPSB during the period of the JM Order.

Subsequently, APSB had vide its letter dated 3 April 2020 notified CCPSB of its failure to fulfil the remaining conditions precedent as set out in the First Settlement Agreement by 28 March 2020 i.e. the last day of the extended conditional period of the First Settlement Agreement and accordingly, the First Settlement Agreement had since lapsed. APSB had then on 22 May 2020 filed an application to the High Court to, *inter alia*, intervene in the JM Proceedings and set aside the JM Order. While the High Court allowed the said intervener application, the application to set aside the JM Order was dismissed by the High Court. Later on, the Judicial Manager had on 7 August 2020 filed an application for, among others, an extension of the JM Order which was then allowed by the High Court. On 10 September 2020, APSB had then filed appeals against the High Court’s dismissal of the application to set aside the JM Order and the High Court’s decision to allow the extension of the JM Order (collectively, the “**APSB’s Appeals**”).

While the AP SB's Appeals remain pending, AP SB continued to explore other alternatives with CCPSB to arrive at an amicable settlement. After seeking advice from its lawyers with regard to its rights under the JVAs, AP SB had subsequently on 22 May 2021 entered into a binding term sheet with CCPSB (through the Judicial Manager) whereby the Parties had agreed for, among others, CCPSB to settle and pay RM40.00 million ("**Final Settlement Sum**") to AP SB as the full and final settlement of AP SB's entitlement from the Project ("**AP SB Entitlement Sum**") and all other rights, interests and/or benefits that AP SB may have under the Project, the Development Land and the JVAs and/or against CCPSB ("**Settlement**"). In this regard, AP SB had also agreed that upon signing of a definitive settlement agreement with CCPSB (through the Judicial Manager) to give effect to the Settlement, it will withdraw the AP SB's Appeals at the Court of Appeal.

On behalf of the Board of Directors of Gadang ("**Board**"), RHB Investment Bank Berhad ("**RHB Investment Bank**") wishes to announce that AP SB has on 28 July 2021 entered into a conditional settlement agreement with CCPSB (through the Judicial Manager) which sets out the terms and conditions governing the payment of the Final Settlement Sum and other matters relating to the Settlement ("**FSA**"). Pursuant to the terms of the FSA, the AP SB Entitlement Sum is now revised from a total value equivalent to 16.7% of the final gross development value ("**GDV**") of the Project and up to a maximum sum of RM323,999,999 only ("**Original AP SB Entitlement Sum**"), to RM190.00 million only ("**Revised AP SB Entitlement Sum**") of which a total of RM150.00 million has been paid by CCPSB to AP SB to-date. All the Parties' rights, obligations and liabilities arising out of the JVAs shall then be extinguished and superseded by the terms set out in the FSA upon fulfilment of all the conditions precedent of the FSA ("**Unconditional Date**") and the Development Land shall then be transferred to CCPSB upon its full settlement of the Final Settlement Sum to AP SB.

Paragraph 8.22(1)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") stipulates that "*a listed issuer must issue a circular to its shareholders and seek its shareholder approval if it proposes to make a material amendment, modification or variation to a proposal which has been approved by shareholders in general meeting*". Paragraph 8.22(2)(b) of the Listing Requirements further stipulates that "*an amendment, modification or variation is considered material if it can be reasonably expected to have a material effect on the decision of a holder of securities of the listed issuer in relation to such proposal*".

In view of the material change in the AP SB Entitlement Sum pursuant to the terms of the FSA and since the JVAs will be terminated on the Unconditional Date and the Development Land will be transferred to CCPSB upon its full settlement of the Final Settlement Sum to AP SB, the Proposed Variation is considered a material variation under Paragraph 8.22(2)(b) of the Listing Requirements. As such, the Company is required to seek its shareholders' approval for the Proposed Variation at an extraordinary general meeting ("**EGM**") to be convened.

The background information on the Joint Venture, the First Settlement Agreement as well as further details on the Proposed Variation (including the FSA) are set out in the ensuing sections of this Announcement.

2. BACKGROUND INFORMATION ON THE JOINT VENTURE

The Joint Venture

Pursuant to the Joint Venture Agreement, CCPSB, the developer of the Project, had agreed to pay AP SB, the registered proprietor of the Development Land, a total value equivalent to 16.7% of the final GDV of the Project and up to a maximum of RM323,999,999 only as AP SB's entitlement from the Project. The Original AP SB Entitlement Sum was to be paid within 66 months from 26 August 2014, being a date falling within 60 days from the date the first building plan approval of any component of the Project was received from the appropriate authorities ("**Commencement Date**"). Pursuant to the Joint Venture Agreement, CCPSB was also required to complete the construction of the Project not later than 66 months from the Commencement Date i.e. by 25 February 2020. The Joint Venture was approved by the shareholders of Gadang at the EGM held on 23 April 2014 ("**2014 EGM**").

Subsequent to the 2014 EGM, the Parties had entered into various supplemental agreements to vary, among others, certain components of the Project i.e. from three (3) tower blocks of office suites and two (2) tower blocks of hotel suites to a tower block of hotel suites, a tower block of serviced suites and three (3) tower blocks of serviced apartments (collectively, the "**Remaining Blocks**").

The construction works for the retail podium comprising 13 levels of retail with car park and one (1) level of facility measuring in aggregate approximately 283,261 square metres ("**Retail Podium**") was completed on 26 April 2018 following the issuance of the certificate of completion and compliance for the same on even date. However, the construction of the Remaining Blocks remains uncompleted as at the date of this Announcement.

Further information on the Development Land and the Project are set out in Appendix I of this Announcement.

The First Settlement Agreement

In March 2019, CCPSB had expressed its intention to raise additional financing to complete the construction of the Remaining Blocks and to fund the operations of the Retail Podium, such that it can fulfil its obligations to AP SB under the Joint Venture Agreement including the payment of the AP SB Entitlement Sum. As such, CCPSB had requested AP SB to consider the transfer of the Development Land to CCPSB to enable it to raise financing through a charge on the Development Land to a reputable financial institution. On 29 March 2019, AP SB had agreed to the request of CCPSB and the Parties had on even date entered into the First Settlement Agreement to vary the terms of the JVAs ("**First Variation and Settlement**").

Pursuant to the terms of the First Settlement Agreement, the AP SB Entitlement Sum was revised to RM250.00 million. After taking into consideration the amount of approximately RM149.79 million which was already paid to AP SB as at the date of the First Settlement Agreement, the outstanding AP SB Entitlement Sum following the revision was approximately RM100.21 million for which the Parties agreed would be satisfied via the contra of the identified completed retail units in the Retail Podium which have not been sold ("**IRUs**"), subject to the terms and conditions of the First Settlement Agreement.

Pursuant to the terms of the First Settlement Agreement, the Parties had also on 29 March 2019 entered into a conditional put option agreement wherein CCPSB had granted AP SB the right to sell and require CCPSB to purchase from it any of the remaining unsold IRUs during the option period at an agreed option purchase price, which will enable AP SB to realise a total cash sum of RM312.00 million upon the exercise of the put option. Similarly, AP SB had also granted CCPSB the right to buy and require AP SB to sell to it any of the remaining unsold IRUs during the same option period at the same option purchase price vide a conditional call option agreement entered into between the Parties on the same date.

As the First Variation and Settlement was deemed a material variation to the terms of the Joint Venture previously approved by the shareholders of the Company at the 2014 EGM, pursuant to Paragraph 8.22(1) of the then Listing Requirements, the Company sought the approval of its shareholders for the First Variation and Settlement at an EGM held on 12 June 2019. The circular containing details on the First Variation and Settlement was issued to the shareholders of Gadang on 28 May 2019 (“**Circular 2019**”) and the First Variation and Settlement was approved by the shareholders of Gadang at the EGM held on 12 June 2019.

Further information on the First Variation and Settlement are set out in the Circular 2019.

The FSA and Proposed Variation

On 25 February 2020, the Company was made to understand that CWL, the ultimate holding company of CCPSB, had proposed to undertake a scheme of arrangement for the purposes of implementing and facilitating the restructuring of its debt obligations and liabilities. CCPSB had also on 14 February 2020 filed an application in the High Court for an order to place itself under judicial management. Pursuant to the JM Order, CCPSB was placed under judicial management and the Judicial Manager was appointed to manage the affairs, business and property of CCPSB during the period of the JM Order.

Subsequently, AP SB had vide its letter dated 3 April 2020 notified CCPSB of its failure to fulfil the remaining conditions precedent as set out in the First Settlement Agreement by 28 March 2020 i.e. the last day of the extended conditional period of the First Settlement Agreement and accordingly, the First Settlement Agreement had since lapsed. As set out in Section 1 above, AP SB had on 10 September 2020 filed appeals against the High Court’s dismissal of the application to set aside the JM Order and the High Court’s decision to allow the extension of the JM Order.

While the AP SB’s Appeals remain pending, AP SB continued to explore other alternatives with CCPSB to arrive at an amicable settlement. Pursuant to the binding term sheet dated 22 May 2021 entered into between AASB and CCPSB (through the Judicial Manager), the Parties had agreed to the Settlement. In this regard, AP SB had also agreed that upon signing of a definitive settlement agreement with CCPSB (through the Judicial Manager) to give effect to the Settlement, it will withdraw the AP SB’s Appeals at the Court of Appeal.

Following this, AP SB has on 28 July 2021 entered into the FSA with CCPSB (through the Judicial Manager) which gives rise to the Proposed Variation. Pursuant to the terms of the FSA, the Parties have agreed for CCPSB to settle and pay the Final Settlement Sum of RM40.00 million to AP SB as the full and final settlement of the AP SB Entitlement Sum and all other rights, interests and/or benefits that AP SB may have under the Project, the Development Land and the JVAs and/or against CCPSB. In this regard, the AP SB Entitlement Sum has been revised from the Original AP SB Entitlement Sum to RM190.00 million only, of which a total of RM150.00 million has been paid by CCPSB to AP SB to-date. Pursuant to the terms of the FSA, all the Parties’ rights, obligations and liabilities arising out of the JVAs shall then be extinguished and superseded by the terms set out in the FSA on the Unconditional Date and the Development Land shall then be transferred to CCPSB upon its full settlement of the Final Settlement Sum to AP SB.

3. DETAILS OF THE PROPOSED VARIATION

In view that the AP SB Entitlement Sum would be revised from the Original AP SB Entitlement Sum to RM190.00 million only pursuant to the terms of the FSA and since the JVAs will be terminated on the Unconditional Date and the Development Land will be transferred to CCPSB upon its full settlement of the Final Settlement Sum to AP SB, the Proposed Variation is considered a material variation under Paragraph 8.22(2)(b) of the Listing Requirements.

Further details on the Proposed Variation (including the FSA) are set out below.

3.1 Salient terms of the FSA

The salient terms of the FSA are as follows:

3.1.1 Conditions precedent

The FSA is conditional upon the following conditions precedent being fulfilled within six (6) months from the date of the FSA ("**Conditional Period**"):

- (i) the sanction of the High Court of the FSA, its approval to allow CCPSB to create a first fixed charge over a total of 101 identified retail units in the Retail Podium (with an estimated total value of RM100.00 million as at the date of the FSA) ("**Collateral Units**") in favour of AP SB and any other approvals which may be required by CCPSB to fulfil its obligations under the FSA for which CCPSB shall comply to satisfy this condition precedent; and
- (ii) the approval of the shareholders of Gadang, being the holding company of AP SB, for the Proposed Variation at an EGM to be convened

(collectively referred to as the "**Conditions Precedent**").

If any of the Conditions Precedent is not fulfilled within the Conditional Period, the Parties shall enter into negotiations in good faith for a period of one (1) month from the expiry of the Conditional Period ("**Extended Conditional Period**") to consider alternative or other arrangements.

In the event that the Conditions Precedent cannot be fulfilled within the Conditional Period and/or any other or alternative arrangements cannot be agreed upon within the Extended Conditional Period, the FSA shall be deemed mutually terminated and the JVAs shall immediately be reinstated to govern the Parties' rights, obligations, benefits and liabilities under the Project and the Development Land.

3.1.2 Withdrawal of appeals by AP SB

Upon signing of the FSA, AP SB shall as soon as practicable withdraw the AP SB's Appeals at the Court of Appeal, with liberty to file afresh and with no order as to costs. All costs and expenses in connection with the said withdrawal shall be borne by AP SB.

3.1.3 Payment term of the Final Settlement Sum

CCPSB shall pay the Final Settlement Sum to APSB in the following manner:

Tranche	Amount (RM)	Date
1	5,000,000.00	Within six (6) months from the date of the FSA or on the Unconditional Date, whichever is later
2	5,000,000.00	Within 12 months from the date of the FSA
3	10,000,000.00	Within 24 months from the date of the FSA
4	10,000,000.00	Within 36 months from the date of the FSA
5	10,000,000.00	Within 48 months from the date of the FSA
Total	40,000,000.00	

If CCPSB defaults in payment of any part of the Final Settlement Sum in accordance with the payment schedule above, subject always to the fulfilment of the Conditions Precedent, CCPSB shall pay APSB interest on the outstanding amount for that particular tranche at a rate of 5% per annum calculated on a daily basis commencing from the date after the due date of that particular tranche until the date of full payment of that tranche, and such interest shall be paid simultaneously with the full payment of the said tranche.

For information purposes, the 48-month period for the payment of the Final Settlement Sum as set out in the payment schedule above was mutually agreed after taking into consideration the duration required by CCPSB to resolve its operational and financial difficulties given the current financial conditions of CCPSB and its ultimate holding company, CWL, and the uncertainties in the current outlook of the economy and property market which has been further impacted by the coronavirus disease 2019 (“COVID-19”) pandemic.

3.1.4 Security for the Final Settlement Sum

As security for the settlement of the Final Settlement Sum, a first fixed charge will be created over the Collateral Units in favour and for the benefit of APSB. In this regard, CCPSB (through the Judicial Manager) has executed a debenture simultaneously with the execution of the FSA whereby a first fixed charge will be created over the Collateral Units in favour of APSB on the Unconditional Date (“**Debenture**”). CCPSB will then lodge the statement of particulars of charge after the Unconditional Date in accordance with the terms of the FSA.

The Parties agree and acknowledge that as at the date of the FSA, the value of the Collateral Units is 2.5 times the amount of the Final Settlement Sum. For information purposes, the Parties have negotiated and mutually agreed that the value of the Collateral Units shall be 2.5 times of the amount of the Final Settlement Sum as APSB believes that this will provide a buffer for it to recover the Final Settlement Sum (and all interest accruing thereon, if unpaid) if the Debenture has to be enforced and if the Collateral Units have to be disposed at a discount to the current selling price.

Pursuant to the Debenture, CCPSB shall not execute any form of charge, mortgage, debenture (whether fixed or floating), pledge or lien in respect of any of the Collateral Units without APSB’s written consent. However, upon settlement of any of the scheduled tranche of the Final Settlement Sum by CCPSB, APSB shall immediately discharge and release the Collateral Units identified by CCPSB and as agreed to by APSB from the Debenture as security in accordance with the terms of the FSA.

However, if Tranche 1 of the Final Settlement Sum is unpaid and remains unpaid on the due date of Tranche 2 of the Final Settlement Sum, APSB shall not be entitled to enforce the security created under the Debenture during such period, provided that CCPSB shall be liable to pay the interest arising from such late payment and no other event of default (as set out in Section 3.1.10 below) has occurred.

Subject to the paragraph above, if CCPSB defaults in its payment of any tranche of the Final Settlement Sum as set out in Section 3.1.3 above, APSB shall be entitled to treat the entire outstanding Final Settlement Sum to become immediately payable by CCPSB and in such event, APSB shall give a notice of remedy to CCPSB to require CCPSB to settle the entire outstanding Final Settlement Sum within two (2) months from its receipt of the said notice of remedy from APSB (“**Remedy Period**”) or such extended period of not more than one (1) month from the expiry of the Remedy Period as may be granted by APSB at its absolute discretion.

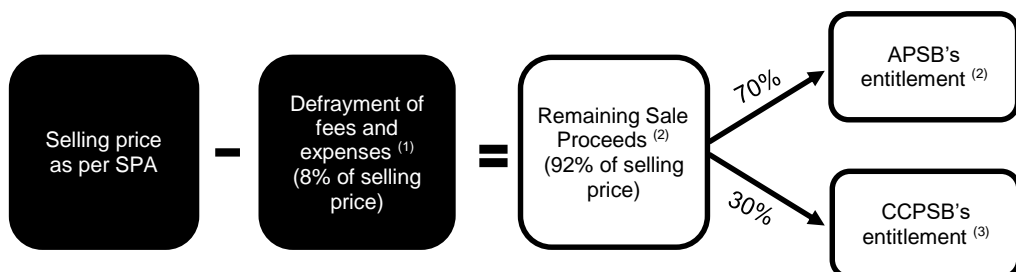
If CCPSB fails to remedy the default within the stipulated period, APSB shall then be entitled to enforce the security created under the Debenture and proceed to sell the remaining Collateral Units which are not already released from the Debenture and use the said sale proceeds to settle the entire outstanding Final Settlement Sum together with any interest thereon and all other sums due and payable by CCPSB to APSB under the FSA and the Debenture. APSB shall thereafter return the balance sale proceeds (if any) to CCPSB.

3.1.5 Sale of the Collateral Units

Notwithstanding the Debenture, CCPSB is entitled to sell any of the Collateral Units at any time and CCPSB has the absolute right to determine the price and terms for such sale as it deems fit, subject always that 70% of the Remaining Sale Proceeds (as defined in the diagram below) which has to be paid to APSB towards the settlement of the Final Settlement Sum is not less than the agreed redemption sum for that particular Collateral Unit. For information purposes, the Parties have agreed that the total redemption sum of the Collateral Units will not be less than RM40.00 million, being the Final Settlement Sum to APSB.

If CCPSB is able to procure purchaser(s) to purchase any of the Collateral Unit(s), CCPSB shall notify APSB of the proposed sale and APSB, as the registered owner of the Development Land or such Collateral Unit(s) (where strata title has been issued and registered in the name of APSB), shall execute the sale and purchase agreement(s) (“**SPA(s)**”) upon CCPSB’s notification and simultaneously issue a letter of disclaimer to such purchaser(s) or the end financier(s) to state that such Collateral Unit(s) will be immediately discharged upon receipt of the sale proceeds.

In this regard, the sale proceeds for the Collateral Unit(s) shall be apportioned in the following manner:



Notes:

(1) *These are fees and expenses associated with the sale and purchase transaction of the Collateral Unit(s), which is estimated to be around 8% of the selling price of such Collateral Unit(s).*

(2) *The Remaining Sale Proceeds for each of the Collateral Units will be paid into a designated bank account of CCPSB whereby CCPSB will give the said bank an irrevocable standing instruction to apportion out and pay APSB its entitlement, which is equivalent to 70% of the Remaining Sale Proceeds.*

(3) *The remaining 30% of the Remaining Sale Proceeds shall belong solely to CCPSB.*

The proceeds received by APSB from the sale of the Collateral Units shall be deemed as payment towards the Final Settlement Sum. Thereafter, APSB will upon receipt of such payment, immediately discharge the said Collateral Unit(s) from the Debenture.

For information purposes, pursuant to the terms of the Joint Venture Agreement, immediately after the first 10% of the progressive claims of the selling price of each unit as reflected in the SPA to be entered into with the end purchaser for the purchase of unit(s) within the Project, CCPSB shall pay APSB 30% of every subsequent progressive amount claimed on work done in accordance to the schedule of payments referred to in the said SPA and in the manner as set out in the Joint Venture Agreement (i.e. towards the payment of the APSB Entitlement Sum), while the remaining 70% of such progressive amount claimed shall accrue to CCPSB. In view that the Collateral Units are to be charged in favour of APSB pursuant to the Debenture, the Parties have thereby agreed that 70% of the Remaining Sale Proceeds from the Collateral Units shall be paid to APSB instead while the remaining 30% of the Remaining Sale Proceeds shall belong to CCPSB.

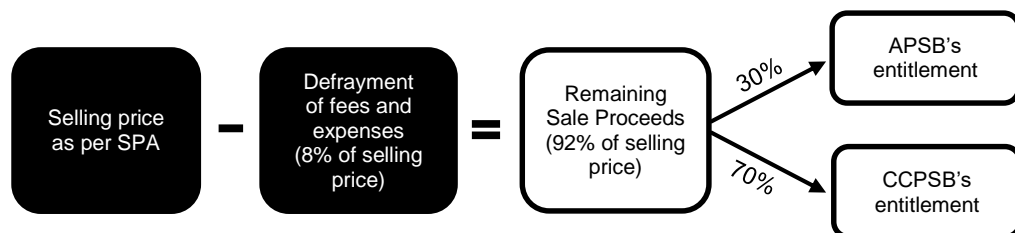
3.1.6 Sale of other components of the Project

Other unsold retail units in the Retail Podium (other than the Collateral Units)

As at 21 July 2021, being the latest practicable date of this Announcement (“**LPD**”), there are approximately 705 retail units in the Retail Podium which remain unsold. Of the 705 retail units, 101 units have been earmarked as the Collateral Units, 278 units have been designated for CCPSB’s contra with creditors under the judicial management and 326 units remain available for sale (“**Balance Unsold Units**”).

If CCPSB is able to procure purchaser(s) to purchase any of the Balance Unsold Unit(s) at the price and terms determined by CCPSB as it deems fit, CCPSB shall notify APSB of the proposed sale and APSB, as the registered owner of the Development Land or such Balance Unsold Unit(s) (where strata title has been issued and registered in the name of APSB), shall execute the SPA(s) within four (4) business days.

In this regard, the sale proceeds for the Balance Unsold Unit(s) shall be apportioned in the following manner ⁽¹⁾:



Note:

(1) *The apportionment mechanism is similar to that for the sale of the Collateral Units as set out in Section 3.1.5 above, except for the agreed ratio of the apportionment of the Remaining Sale Proceeds between APSB and CCPSB i.e. 30% to APSB and 70% to CCPSB.*

Remaining Blocks

In consideration of the Parties agreeing to the Settlement, simultaneously with the execution of the FSA, APSB has also executed an irrevocable power of attorney in relation to the Remaining Blocks in favour of CCPSB (“**Power of Attorney**”). The Power of Attorney shall empower CCPSB, among others, to continue with the development and sale of the Remaining Blocks at CCPSB’s sole and absolute discretion, including to execute the following:

- (i) joint venture agreements, contracts, documents and/or deeds for purposes of entering into joint venture with any third party of CCPSB’s choice in order to continue with the development of the Remaining Blocks or any part thereof; and
- (ii) SPAs, instruments, deeds and/or documents, in the name of the registered owner of the Development Land, for purposes of transferring and vesting the legal and beneficial ownership of the parcels of the Remaining Blocks to/on the various prospective purchasers and to collect the purchase money from the prospective purchasers pursuant to the relevant SPAs.

In this regard, CCPSB has undertaken to indemnify APSB against any claim or loss which it may suffer as a consequence of granting the Power of Attorney to CCPSB.

If CCPSB is able to sell all or any of the Remaining Block on an “en-bloc” basis at the price and terms determined by CCPSB as it deems fit, the sale proceeds shall then be apportioned in the following manner ⁽¹⁾:



Note:

(1) *The apportionment mechanism is similar to that for the sale of the Collateral Units as set out in Section 3.1.5 above, except for the agreed ratio of the apportionment of the Remaining Sale Proceeds between APSB and CCPSB i.e. 30% to APSB and 70% to CCPSB. The Parties have agreed that APSB’s entitlement from the sale of the Remaining Blocks shall be capped at RM10 million.*

However, if the mode of payment as set out above is not practicable for implementation by CCPSB, the Parties agree to enter into negotiations in good faith to consider alternative or other arrangements.

For information purposes, APSB is only entitled to 30% of the Remaining Sale Proceeds from the Balance Unsold Units and the Remaining Blocks as compared to its 70% entitlement to the Remaining Sale Proceeds from the Collateral Units as, unlike the Collateral Units, the Balance Unsold Units and the Remaining Blocks are not charged in favour of APSB. In addition, the higher agreed ratio of the apportionment to CCPSB for the Balance Unsold Units and the Remaining Blocks (i.e. 70%) provides CCPSB with additional funding to complete the construction of the Remaining Blocks so that it can fulfil its payment obligation to APSB under the FSA.

For the avoidance of doubt, the proceeds received by APSB from the sale of the Balance Unsold Units and the Remaining Blocks shall be deemed as payment towards the Final Settlement Sum.

3.1.7 Lease of the Collateral Units and Balance Unsold Units

If any of the Collateral Units and Balance Unsold Units are tenanted and/or leased to third parties, the Parties agree that all income, rent, fees and/or receivables derived from these Collateral Units and Balance Unsold Units shall be for the benefit of CCPSB and shall not form part of the Final Settlement Sum.

For the avoidance of doubt, CCPSB shall be liable to pay for all the maintenance or service charges or any outgoings including quit rent and assessment payable in relation to the Collateral Units (notwithstanding the Debenture) and the Balance Unsold Units.

3.1.8 Securitisation of the Collateral Units and Balance Unsold Units

The Parties agree that CCPSB may raise financing from any financial institution and/or third party using any of the Collateral Units and/or Balance Unsold Units as security at CCPSB's own costs and expenses, subject to the terms as follows:

For the Collateral Units

The amount of financing facility granted and attributed to the Collateral Units which have been identified and used as security for the said financing ("**Identified Collateral Units**") shall not be less than the Parties' agreed redemption sum of the Identified Collateral Units, and the financial institution and/or third party shall agree to the following terms:

- (i) such amount raised by CCPSB shall be used to fund the settlement of that particular tranche of the Final Settlement Sum; and
- (ii) the financial institution and/or third party shall give an undertaking in writing to APSB that such amount raised by CCPSB shall be released in full to APSB directly.

APSB shall deem any such amount received as being amount paid towards that particular tranche of the Final Settlement Sum and execute the relevant documents to discharge the Identified Collateral Units from the Debenture.

For the Balance Unsold Units

If CCPSB raises financing from the financial institution and/or third party using any of the Balance Unsold Units as security ("**Identified Balance Unsold Units**"):

- (i) 30% of such amount raised by CCPSB shall be used to settle that particular tranche of the Final Settlement Sum (in the order of maturity); and
- (ii) the financial institution and/or third party shall give an undertaking in writing to APSB that 30% of such amount raised by CCPSB shall be released to APSB directly.

Thereafter, APSB shall do the following:

- (a) all acts in its capacity as the registered owner of the Development Land or the Identified Balance Unsold Units (where strata title has been issued and registered in the name of APSB) including execute all necessary documents to give effect to the facility granted by the financial institution and/or third party; and

- (b) upon receiving 30% of such amount raised from the financial institution and/or third party, AP SB shall use the said amount to settle that particular tranche of the Final Settlement Sum (which is in the order of maturity) and execute the relevant documents to discharge the corresponding Collateral Units for the said tranche from the Debenture.

For information purposes, AP SB's entitlement to 30% of such financing raised by CCPSB is consistent with its 30% entitlement to the sale of the Balance Unsold Units as set out in Section 3.1.6 above.

Notwithstanding the above, AP SB shall not be liable for any repayment or settlement of the financing facility raised by CCPSB using any of the Collateral Units and/or Balance Unsold Units as security nor shall it be liable for any other liability of CCPSB arising thereto.

3.1.9 Settlement date

On the date which AP SB receives the full Final Settlement Sum of RM40.00 million together with any interest and/or all other sums due and payable by CCPSB to AP SB pursuant to the FSA ("**Settlement Date**"), the Parties shall have no further claims of whatsoever nature against each other under the JVAs, the Project, the Development Land and/or the FSA.

In this regard, the following shall take place on the Settlement Date:

- (i) the Memorandum of Transfer ("**MoT**") of the Development Land in favour of CCPSB, the original title to the Development Land, the separate documents of title/strata titles to the individual units of the Project (as the case may be) and all the relevant documents required for the transfer of the Development Land from AP SB to CCPSB shall be released to CCPSB or its appointed solicitors, to enable CCPSB to effect the transfer of the Development Land and/or the individual units of the Project to CCPSB;
- (ii) AP SB shall release any Collateral Unit(s) remaining from the Debenture and return the beneficial ownership of such Collateral Unit(s) to CCPSB;
- (iii) CCPSB shall have, at its own costs and expenses, caused the release of any undertaking given by AP SB to any end-financier and/or third party in its capacity as the registered owner of the Development Land and/or the individual units of the Project pursuant to the tripartite SPAs executed by CCPSB, AP SB and the individual purchasers and/or otherwise for sale of any units within the Project;
- (iv) AP SB shall not file afresh the AP SB's Appeals which were withdrawn as set out in Section 3.1.2 above; and
- (v) AP SB shall ensure that the Development Land is free from any encumbrance subject to the terms of the FSA.

Upon registration of the MoT of the Development Land in favour of CCPSB by the relevant authority, AP SB and CCPSB shall revoke the Power of Attorney for the Remaining Blocks and the costs and expenses in connection with the said revocation shall be borne by CCPSB. The stamp duty and registration fees in connection with the MoT of the Development Land to CCPSB shall also be borne by CCPSB.

Notwithstanding that the registration of the MoT of the Development Land can only be transferred to CCPSB after the Settlement Date, CCPSB shall be liable to pay all outgoings for the Development Land including quit rent, assessment (if any), maintenance costs and charges for the sewage treatment plant situated therein and all other rates and charges in relation to the Development Land and the buildings erected thereon from the date of the FSA.

3.1.10 Events and consequences of default

(i) By CCPSB

In the event:

- (a) CCPSB defaults and/or neglects to pay the Final Settlement Sum in accordance with the terms of the FSA;
- (b) CCPSB is in breach of any term and/or condition of the FSA and/or the Debenture and/or fails to observe or perform any of the agreements, covenants, stipulations, terms, undertakings and conditions in the FSA and/or in the Debenture on its part;
- (c) CCPSB refuses, fails and/or omits to execute and/or perfect the Debenture;
- (d) CCPSB creates or permits to subsist any mortgage, pledge, charge, encumbrance, lien or security interest in any or all of the Collateral Units (other than the first fixed charge in favour of APSB pursuant to the Debenture);
- (e) CCPSB is unable to pay its debts as defined in the Companies Act 2016 (“**Act**”) after the proposal for regularisation made by the Judicial Manager has commenced and/or the High Court has ordered the winding-up of CCPSB under Section 465 of the Act;
- (f) CCPSB enters into any voluntary arrangement or composition or arrangement with or for the benefit of its creditors or a resolution has been passed for the voluntary winding-up of CCPSB;
- (g) it becomes unlawful for CCPSB to perform its obligations under the FSA;
- (h) the first fixed charge over the Collateral Units in favour of APSB pursuant to the Debenture cannot be registered or is invalid for any reason whatsoever attributable to CCPSB’s fault;
- (i) there is a material change in CCPSB’s financial condition which will prejudice the ability of CCPSB to perform its obligations under the FSA;
- (j) any order is made or resolution is passed or other action is taken for the dissolution of CCPSB; or
- (k) save for the JM Proceedings, a liquidator, trustee, judicial manager, administrator or receiver and/or manager is appointed in respect of all or any part of the undertakings or property of CCPSB pursuant to any charge, debenture or otherwise,

APSB shall give CCPSB a written notice to remedy such default and CCPSB shall:

- (aa) remedy such default within the Remedy Period; and
- (bb) be liable to pay the late payment interest on the outstanding Final Settlement Sum of that particular tranche in accordance with Section 3.1.3 above, during the Remedy Period.

If CCPSB is unable to remedy the default within the Remedy Period, AP SB may, at its absolute discretion, grant a further extended period of not more than one (1) month from the expiry of the Remedy Period to enable CCPSB to remedy the default. However, if CCPSB fails to remedy the default within the stipulated period, AP SB shall notify CCPSB in writing that an event of default has occurred and the following shall occur:

- (A) the outstanding Final Settlement Sum (including interest thereon) and all other sums due and payable by CCPSB under the FSA shall immediately become payable by CCPSB to AP SB; and
- (B) AP SB shall be entitled to recover the monies in item (A) above and to exercise its rights and powers upon CCPSB's default under the FSA, the Debenture and as provided by law.

(ii) By AP SB

If AP SB is in breach of any term and/or condition of the FSA, CCPSB shall at its absolute discretion be entitled to take such action as may be available to CCPSB at law, to apply for and to enforce specific performance of the FSA against AP SB and all remedies following therefrom (including but not limited to a claim for damages).

3.2 Basis and justification of arriving at the Revised AP SB Entitlement Sum

The Revised AP SB Entitlement Sum of RM190.00 million was mutually arrived at after taking into consideration the original basis of the AP SB Entitlement Sum (which is calculated at the rate of 16.7% multiplied by the Project's GDV) vis-à-vis the current development progress of the Project, the outlook of the property market in Johor as well as the financial conditions of CCPSB (which is currently under judicial management) and its ultimate holding company, CWL (which is currently undertaking a scheme of arrangement to restructure its debt obligations and liabilities).

For information purposes, the Revised AP SB Entitlement Sum of RM190.00 million comprises the following:

- (i) RM150.00 million, being the AP SB Entitlement Sum paid by CCPSB to AP SB to-date, which is made up of the following:
 - (a) RM144.87 million, being the AP SB Entitlement Sum attributable to the sale of retail units within the Retail Podium; and
 - (b) RM5.13 million, being the AP SB Entitlement Sum attributable to the sale of the serviced suites; and
- (ii) RM40.00 million, being the Final Settlement Sum as agreed by AP SB and CCPSB (through the Judicial Manager) under the FSA, which is made up of the following:
 - (a) RM30.00 million, being the Final Settlement Sum attributable to the remaining unsold retail units within the Retail Podium, which was derived based on the estimated AP SB Entitlement Sum for the Retail Podium of approximately RM173.68 million (calculated based on 16.7% of the Retail Podium's current estimated GDV of RM1.04 billion) and after deducting the sum received by AP SB towards the settlement of the AP SB Entitlement Sum for the retail units sold within the Retail Podium of approximately RM144.87 million to-date as mentioned earlier; and

- (b) RM10.00 million, being the Final Settlement Sum attributable to the Remaining Blocks, after considering the liquidated damages payable by CCPSB to purchasers of the serviced suites since vacant possession of the serviced suites have not been delivered and have exceeded the timeframe as stipulated in some of the SPAs.

Notwithstanding that the Revised AP SB Entitlement Sum is much lower than the Original AP SB Entitlement Sum and the settlement sum as envisaged under the First Settlement Agreement, having considered the above, the Board is of the view that the Revised AP SB Entitlement Sum of RM190.00 million is deemed reasonable at this juncture premised on the following:

- (aa) the rationale for and benefits of the Proposed Variation as detailed in Section 4 below, which includes the exit opportunity presented to AP SB vis-à-vis the current circumstances surrounding the prospects of the Project, uncertainty in the outlook of the economy and property market as well as the risks surrounding CCPSB's ability to fulfil its obligations under the J VAs; and
- (bb) the Revised AP SB Entitlement Sum of RM190.00 million represents a premium of 169% and 523% over the market value of the Development Land of RM70.60 million as at 12 December 2013 as appraised by Asettz Sdn Bhd prior to the signing of the Joint Venture Agreement on 26 December 2013 and AP SB's original cost of investment of RM30.50 million respectively, hence allowing the Company to achieve its initial objective of unlocking the value of the Development Land, albeit at a lower value as compared to the amount originally envisaged under the Joint Venture Agreement and the First Settlement Agreement.

3.3 Use of proceeds

CCPSB has paid a sum of RM150.00 million to AP SB towards the settlement of the AP SB Entitlement Sum up to the date of the FSA and the said sum was used for the following purposes:

Purpose	Note	(RM'000)
Tax paid for income received pursuant to the Joint Venture		30,353
Acquisition of new land banks for development	(1)	89,500
Part-financing of an existing property development project	(2)	30,147
Total proceeds		150,000

Notes:

- (1) *The new land banks which were acquired by the Company and its subsidiaries (collectively, the "Group") for development (including those through joint venture arrangements) are as follows:*
- (i) *a 62.83-acre freehold land located in Semenyih, Selangor for residential development comprising affordable apartments, townhouses, double storey link houses and Rumah Selangorku ("Semenyih Project");*
- (ii) *a 78-acre freehold land located in Gelang Patah, Johor for residential development comprising double storey link houses ("Gelang Patah Project");*
- (iii) *a 21.08-acre freehold land located in Kwasa Damansara, Selangor for residential development comprising duplex suites, townhouses, high-rise condominiums and semi-detached villas; and*
- (iv) *a 17.06-acre 99-year leasehold land (expiring on 3 November 2113) located in Putra Perdana, Puchong, Selangor for residential development comprising 1.5-storey townhouses.*
- These acquisitions/joint ventures were financed using a combination of bank borrowings and the proceeds received from the settlement of the AP SB Entitlement Sum.*
- (2) *Consist of construction costs, professional fees, marketing costs, local authority fees and interest expense arising from bank borrowings in relation to the Semenyih Project.*

The Group intends to use the proceeds to be received from the Final Settlement Sum in the following manner:

Purpose	Note	(RM'000)	Estimated timeframe for the use of proceeds from the date of receipt
Estimated tax expense arising from the Final Settlement Sum	(1)	4,574	Within 12 months
Part-financing of existing property development projects	(2)	35,126	Within 48 months
Estimated expenses in relation to the Proposed Variation	(3)	300	Within one (1) month
Total proceeds		40,000	

Notes:

- (1) *The estimated tax expense of approximately RM4.57 million was derived based on the Revised APSB Entitlement Sum of RM190.00 million and after deducting the sum received by APSB towards the settlement of the APSB Entitlement Sum up to the date of the FSA of RM150.00 million which had been brought to tax as well as the cost of the Development Land that has not been charged to the profit and loss of the Group as at the date of the FSA of approximately RM20.94 million, multiplied by the prevailing corporate tax rate of 24%. If the actual tax expense differs from the estimated amount, the excess/shortfall will be adjusted against to/from the proceeds allocated for part-financing of the Group's existing property development projects.*
- (2) *The proceeds are intended to be used to fund the Group's property development projects, namely the Semenyih Project and Gelang Patah Project. Such proceeds will be used to pay for construction costs relating to these projects.*
- The actual utilisation of proceeds for these projects will depend on the actual funding requirements for each of these projects at the point of utilisation. As such, the amount of proceeds to be allocated for each of these projects cannot be finalised at this juncture.*
- (3) *Consist of professional fees, regulatory fees, printing and despatch costs for the circular to the shareholders of the Company in relation to the Proposed Variation ("**Circular**"), costs to convene the EGM and other incidental expenses relating to the Proposed Variation. If the actual expenses in relation to the Proposed Variation differ from the estimated amount, the excess/shortfall will be adjusted against to/from the proceeds allocated for part-financing of the Group's existing property development projects.*

Pending the use of proceeds arising from the Proposed Variation for the purposes as set out above, such proceeds will be placed in interest-bearing bank deposit(s) with licensed financial institution(s) and/or short-term money market financial instrument(s), as the Board may deem fit. Any interest income earned from such deposits and/or instruments will be used to fund the working capital requirements of the Group.

3.4 Information on CCPSB

CCPSB was incorporated in Malaysia on 14 June 2013 as a private limited company under the Companies Act 1965 and is deemed registered under the Act. CCPSB is principally involved in property development and property investment.

As at LPD, CCPSB has an issued share capital of RM5,000,000 comprising 5,000,000 shares. CCPSB is a wholly-owned subsidiary of Altimate Ventures Limited which in turn is a wholly-owned subsidiary of CWL. As at LPD, the director of CCPSB is Siow Chien Fu.

On 14 February 2020, CCPSB had filed an application in the High Court for an order to place itself under judicial management. Pursuant to the JM Order, Wong Ching Yong of CRS Corporate Services Sdn Bhd was appointed as the judicial manager to manage the affairs, business and property of CCPSB during the period of the JM Order.

3.5 Original cost of investment

The original cost of investment of APSB in the Development Land which was incurred on 17 May 1997, amounts to RM30.50 million.

3.6 Total capital and investment outlay

The total capital and investment outlay by APSB for the Joint Venture is limited to the value of the Development Land. The audited net book value of the Development Land as at 31 May 2020 is approximately RM20.94 million.

3.7 Liabilities to be assumed by CCPSB

CCPSB will not assume any liability, including contingent liability and guarantee, arising from the Proposed Variation.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED VARIATION

The outbreak of the COVID-19 has resulted in unprecedented lockdown measures across the world which have caused adverse consequences to the global economy. Similarly, the Malaysian economy has been rocked by the negative impact of COVID-19 – according to Bank Negara Malaysia, the Malaysian economy as a whole contracted by 5.6% in 2020 and continued to register a smaller decline of 0.5% in the first quarter of 2021, in part due to various forms of Movement Control Order being implemented in all parts of the country at various times throughout the year which weighed on economic activity nationwide.

In addition, the Malaysian property sector also continued to remain subdued into the first quarter of 2021, with an overall decline of 11.6% in transaction volume according to statistics published by the National Property Information Centre of the Valuation and Property Services Department of Malaysia (“**NAPIC**”). As the nationwide property overhang continues to persist, Johor continues to be the state with the highest amount of property overhang which made up approximately 21.85% and 70.27% of the nation’s residential and serviced apartment overhang units respectively in the first quarter of 2021.

(Sources: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020 and First Quarter of 2021, Bank Negara Malaysia; and Property Market Status 2020 and Property Market Q1 2021 Snapshots, NAPIC)

In view of the challenging economic and operating environment as described above, the overall GDV expected to be achieved from the development of the Project will continue to remain pressured and may lower the amount of the APSB Entitlement Sum expected to be derived from the Joint Venture. As such, there is no certainty that the GDV originally envisaged during the inception of the Joint Venture can be achieved.

The Proposed Variation thereby presents an opportunity for the Group to recover a reasonable sum amidst significant uncertainties surrounding the outlook of the property market in Johor and risks in relation to CCPSB’s ability to fulfil its obligations under the JVAs given the financial difficulties currently experienced by CCPSB and its ultimate holding company, CWL. Notwithstanding that the Revised APSB Entitlement Sum is much lower than the Original APSB Entitlement Sum and the settlement sum as envisaged under the First Settlement Agreement, the Proposed Variation still provides an opportunity for the Group to meet the objective that it originally set to achieve when embarking on the Joint Venture, i.e. to unlock value of the Development Land for its shareholders.

As CCPSB is currently under judicial management, the Group may not have any other alternative to unlock further value from the Development Land in the event the Parties are unable to amicably agree on a settlement through the FSA. It is also against APSB's interest to take over the construction of the Remaining Blocks on its own as this will place additional burden on the Group's cash flow and result in APSB assuming all the liabilities of CCPSB in relation to the construction and development of the Remaining Blocks (including payment of the liquidated damages to the purchasers of the serviced suites).

While there are certain risks under the Proposed Variation as described in Section 5 below, subject to the High Court's sanction, APSB will be provided with an added layer of security in the form of the Collateral Units which will be charged to APSB until CCPSB fully settles the Final Settlement Sum, thereby making APSB a secured creditor to CCPSB. As mentioned in Section 3.1.4 above, the estimated value of the Collateral Units of RM100.00 million is 2.5 times the amount of the Final Settlement Sum as at the date of the FSA.

In summary, the Proposed Variation provides the Group with a reasonable exit opportunity albeit at a lower APSB Entitlement Sum as compared to the amount originally envisaged under the Joint Venture Agreement and the First Settlement Agreement, given the current circumstances surrounding the prospects of the Project, uncertainty in the outlook of the economy and property market as well as the risks surrounding CCPSB's ability to fulfil its obligations under the JVAs, i.e. completing and handing over the Remaining Blocks in view of its current financial condition and the current financial condition of its holding company, CWL.

5. RISK FACTORS

5.1 Non-fulfilment of the Conditions Precedent

The Proposed Variation is subject to the fulfilment of the Conditions Precedent which include, among others, the approval of the shareholders of Gadang for the Proposed Variation. If APSB and/or CCPSB are unable to fulfil any of the Conditions Precedent and/or perform their obligations in accordance with the terms of the FSA, APSB will not be able to receive the Final Settlement Sum and realise the benefits as described in Section 4 above.

In this regard, the Group will take all reasonable steps to fulfil the Conditions Precedent under its responsibility within the stipulated timeframe and perform its obligations in accordance with the terms of the FSA in a timely manner.

5.2 Default risk

The Proposed Variation is also subject to the Parties' continued fulfilment of their respective obligations and duties as set out in the FSA and the Debenture. Any material breach of the obligations of CCPSB, such as CCPSB's obligation to pay the Final Settlement Sum in accordance with the schedule as set out in Section 3.1.3 above, will be an event of default. In such circumstances, APSB would be able to exercise its rights and powers under the FSA, the Debenture and by law, in order to recover the monies owed by CCPSB.

Pursuant to the FSA, as a security for the settlement of the Final Settlement Sum, a first fixed charge will be created over the Collateral Units in favour of APSB via the Debenture. The estimated total value of the Collateral Units is approximately RM100.00 million, which represents 2.5 times the amount of the Final Settlement Sum of RM40.00 million as at the date of the FSA. Notwithstanding that APSB may realise its Final Settlement Sum through the sale of the Collateral Units to third party purchasers upon CCPSB's default, there is no assurance that APSB would be able to recoup all the outstanding Final Settlement Sum due from CCPSB by way of sale of the Collateral Units, especially if the property market in Johor continues to remain weak.

6. EFFECTS OF THE PROPOSED VARIATION

The pro forma effects of the Proposed Variation are set out below:

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Variation will not have any effect on the issued share capital and the shareholding of the substantial shareholders of the Company as it does not involve any issuance of ordinary shares in the Company ("Shares").

6.2 Net assets ("NA") per Share and gearing

For illustration purposes only, based on the audited consolidated statement of financial position of the Company as at 31 May 2020 and on the assumption that the Proposed Variation had been effected on that date, the pro forma effects of the Proposed Variation on the consolidated NA per Share and gearing of the Company are as follows:

	Audited as at 31 May 2020	After the Proposed Variation and use of proceeds
	(RM'000)	(RM'000)
Share capital	389,520	389,520
Share option reserves	5,680	5,680
Capital reserves	1,347	1,347
Foreign exchange translation reserves	(1,735)	(1,735)
Retained profits	419,249	⁽¹⁾ 460,738
NA/Shareholders' funds	814,061	855,550
Number of Shares in issue ('000)	728,061	728,061
NA per Share (RM) ⁽²⁾	1.12	1.18
Interest-bearing borrowings	289,052	289,052
Gearing (times) ⁽³⁾	0.36	0.34

Notes:

- (1) The pro forma consolidated retained profits of the Company after the Proposed Variation was arrived at after into consideration the following:
- (i) expected total net profit of approximately RM41.79 million after taking into consideration the Revised APSP Entitlement Sum of RM190.00 million and deducting (a) the cost of the Development Land of approximately RM32.33 million as at 31 May 2020 (less tax of 24%); and (b) the profit recognised from the Joint Venture up to 31 May 2020 of approximately RM78.04 million; and
 - (ii) estimated expenses of RM300,000 to be incurred in relation to the Proposed Variation, which consist of professional fees, regulatory fees, printing and despatch costs for the Circular, costs to convene the EGM and other incidental expenses relating to the Proposed Variation.
- (2) Calculated based on NA over number of Shares in issue.
- (3) Calculated based on total interest-bearing borrowings over NA.

6.3 Earnings per Share (“EPS”)

For illustrative purposes only, based on the audited consolidated statement of profit or loss of the Company for the financial year ended (“FYE”) 31 May 2020 and on the assumption that the Proposed Variation had been effected at the beginning of the said financial year, the pro forma effects of the Proposed Variation on the consolidated EPS of the Company are as follows:

	(RM'000)
Audited consolidated profit after taxation attributable to owners of the Company (“PAT”)	35,463
Add : Net gain from the Proposed Variation ⁽¹⁾	41,789
Less : Estimated expenses in relation to the Proposed Variation ⁽²⁾	(300)
Pro forma consolidated PAT after the Proposed Variation	76,952
Weighted average number of Shares in issue ('000)	725,869
<u>Basic and diluted EPS</u> ⁽³⁾	
▪ Based on the audited consolidated PAT for the FYE 31 May 2020 (sen)	4.89
▪ Based on the pro forma consolidated PAT after the Proposed Variation (sen)	10.60

Notes:

- (1) *After taking into consideration the Revised APSB Entitlement Sum of RM190.00 million and deducting (i) the cost of the Development Land of approximately RM32.33 million as at 31 May 2020 (less tax of 24%); and (ii) the profit recognised from the Joint Venture up to 31 May 2020 of approximately RM78.04 million.*
- (2) *Consist of professional fees, regulatory fees, printing and despatch costs for the Circular, costs to convene the EGM and other incidental expenses relating to the Proposed Variation.*
- (3) *Basic EPS is computed based on the relevant consolidated PAT divided by the weighted average number of Shares in issue during the FYE 31 May 2020. For information purposes, the exercise prices of the Company's warrants and employees' share option scheme were higher than the average market price of the Shares during the FYE 31 May 2020. As such, given that these convertible securities are anti-dilutive, the diluted EPS of the Company is equal to the basic EPS of the Company.*

7. APPROVALS REQUIRED FOR THE PROPOSED VARIATION

The Proposed Variation is subject to and conditional upon the following being obtained:

- (i) the sanction of the High Court of the FSA, its approval to allow CCPSB to create a first fixed charge over the Collateral Units in favour of APSB and any other approvals which may be required by CCPSB to fulfil its obligations under the FSA for which CCPSB shall comply to satisfy this condition precedent;
- (ii) the approval of the shareholders of Gadang at an EGM to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Variation is not conditional upon any other corporate proposal undertaken or to be undertaken by Gadang.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of Gadang and/or persons connected with them have any interest, direct or indirect, in the Proposed Variation.

9. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Variation including the terms and conditions of the FSA, the basis and justification of the Revised APSB Entitlement Sum, the rationale for and benefits of the Proposed Variation as well as the effects of the Proposed Variation, is of the opinion that the Proposed Variation is in the best interest of the Company.

10. ADVISER

RHB Investment Bank has been appointed as the Principal Adviser to Gadang for the Proposed Variation.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the fulfilment of the Conditions Precedent, the Proposed Variation is expected to be implemented by the 1st quarter of 2022.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the FSA is available for inspection at the registered office of Gadang at Wisma Gadang, No. 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur, Malaysia during normal office hours from Mondays to Fridays (except public holidays and the affected period under the Movement Control Order) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 28 July 2021.

INFORMATION ON THE DEVELOPMENT LAND AND THE PROJECT
1. Information on the Development Land

A summary of the information on the Development Land is set out below:

Particulars	Description
Property type, address and location	<p>The Development Land was previously an en-bloc development land which was made up of 84 parcels of land located along Jalan Tampoi (adjacent to Damansara Aliff), Tampoi, Johor Bahru, Johor Darul Takzim. Geographically, the Development Land is situated approximately 8.5 kilometres north-west of Johor Bahru City Centre.</p>
Title particulars	<p>The Development Land was amalgamated and registered under a single title on 22 November 2016.</p> <p>The Development Land was previously held under 84 titles, namely Lot No. 24850, 24852, 24853, PTB 20603, Lot No. 24855 to 24916 (inclusive) and Lot No. 24919 to 24936 (inclusive), Title No. Geran 442911, Geran 449212, Geran 449213, HS(D) 401366, Geran 449215 to Geran 449248 (inclusive), Geran 340210, Geran 340209, Geran 340211 to Geran 340214 (inclusive), Geran 340217 to Geran 340221 (inclusive), Geran 340223 to Geran 340225 (inclusive), Geran 340227, Geran 340230, Geran 340231, Geran 340233 to Geran 340240 (inclusive), Geran 340242, Geran 340244, Geran 340247, Geran 340215, Geran 340216, Geran 340222, Geran 340243, Geran 340248 to Geran 340250 (inclusive), Geran 340252 to Geran 340257 (inclusive) and Geran 340259 to Geran 340263 (inclusive) respectively, all in the township and district of Johor Bahru, Johor Darul Takzim.</p> <p>The Development Land has been amalgamated and registered under a single title held under Geran 544822, Lot 48975, Bandar Johor Bahru, District of Johor Bahru, Johor Darul Takzim on 22 November 2016.</p>
Tenure	Freehold
Registered owner	APSB
Land area	40,850 square metres
Category of land use	<i>"Bangunan"</i>
Encumbrances	Registrar's Caveat vide Presentation No. 41199/2014 registered on 8 December 2014
Existing/Proposed use	<p>The Development Land has been approved for commercial development comprising the Retail Podium, a tower block of hotel suites, a tower block of serviced suites and three (3) tower blocks of serviced apartments.</p> <p>CCPSB had completed the construction of the Retail Podium following the issuance of the certificate of completion and compliance for the same on 26 April 2018. As at LPD, CCPSB has commenced construction works for the hotel suites tower block and the serviced suites tower block but not the serviced apartments tower blocks. However, such construction works have been stalled since May 2019.</p>

INFORMATION ON THE DEVELOPMENT LAND AND THE PROJECT (Cont'd)

Particulars	Description
Market value	RM70.60 million as at 12 December 2013 as appraised by Asettz Sdn Bhd ⁽¹⁾
Restriction in interest	<p>(i) The owner of the Development Land is not permitted to offer or sell the parcels of the building which will be built on the Development Land unless the building is built in accordance with the building plan approved by the relevant local authority.</p> <p>(ii) Immediately upon the transfer of parcels of the building on the Development Land to a Bumiputera individual or company, such parcels shall not be sold, charged or transferred to a non-Bumiputera individual or company without the prior approval of the state authority.</p> <p>(iii) The parcels of the building on the Development Land cannot be sold or transferred to non-citizens or foreign companies without the prior approval of the state authority.</p>
Audited net book value	Approximately RM20.94 million as at 31 May 2020
Original cost of investment	RM30.50 million at the date of investment on 17 May 1997

Note:

- (1) *The valuation of the Development Land was performed on 12 December 2013 by Asettz Sdn Bhd, an independent valuer registered with the Board of Valuers, Appraisers and Estate Agents Malaysia, using the comparison method and after taking into consideration the potential for higher density development based on the conditional planning permission issued by Majlis Bandaraya Johor Bahru vide both its letters dated 19 November 2013 with Reference No. MJB/B/U/2013/63/KBM/PS/108 () ID PERMOHONAN: 100964-1 and Reference No. MJB/B/U/2013/63/KBM/PS/109 () ID PERMOHONAN: 100965-1 for the purpose of the development of the Retail Podium, three (3) tower blocks of office suites and two (2) tower blocks of hotel suites. The said valuation was carried out prior to the signing of the Joint Venture Agreement on 26 December 2013.*

(Sources: Land title search of the Development Land dated 18 July 2021, management of the Company as well as the Judicial Manager and/or management of CCPSB)

2. Information on the Project

The Project identified as "Capital City" was initially proposed to entail the development of the Retail Podium, three (3) tower blocks of office suites and two (2) tower blocks of hotel suites based on the conditional planning permission issued by Majlis Bandaraya Johor Bahru vide its letters dated 19 November 2013.

However, due to the weak demand and oversupply of offices within the vicinity of the Development Land, as well as the higher demand for serviced apartments as such property is governed under the Housing Development (Control and Licensing) Act 1966 as opposed to office suites, the Parties had agreed to vary certain components of the Project to better cater to the demand of property buyers.

INFORMATION ON THE DEVELOPMENT LAND AND THE PROJECT (Cont'd)

Accordingly, APSB and CCPSB had varied and obtained the development order and building plan approval from Majlis Bandaraya Johor Bahru vide its letters dated 16 February 2017 and 22 May 2017 respectively, for the revised Project. The revised Project currently entails:

- (i) the Retail Podium known as the “Capital 21 Mall” with a total net lettable area of approximately 710,000 square feet, which was completed on 26 April 2018 following the issuance of the certificate of completion and compliance for the same. 91% of the units within the Retail Podium are made available for sale while the remaining units (mainly located at the ground floor) are retained by CCPSB for investment purposes. As at LPD, 61% of the units available for sale within the Retail Podium were sold and the percentage of occupancy of the Retail Podium is 51%;
- (ii) a 16-storey hotel suites tower comprising 315 units of hotel suites;
- (iii) an 18-storey serviced suites tower comprising 630 units of serviced suites, known as “Capital Suites”. The serviced suites tower block which launched in May 2017 has achieved sales of approximately 30% as at LPD; and
- (iv) three (3) tower blocks of serviced apartments comprising 15 storeys each with a total of 690 units of serviced apartments.

Save for the Retail Podium which has been completed on 26 April 2018, the construction works for the Remaining Blocks have been stalled since May 2019. For information purposes, the construction of the hotel suites tower block has reached the 5th storey (of the intended 16 storeys) while the construction of the serviced suites tower block has reached the 9th storey (of the intended 18 storeys) as at LPD. However, the construction work for the serviced apartments tower blocks has yet to commence.

As CCPSB is currently under judicial management coupled with uncertainty in the outlook of the economy caused by COVID-19 pandemic and the Malaysian property market continued to remain subdued, it is unlikely that CCPSB is able to commence any pending construction work for the Remaining Blocks in the near term. Therefore, the completion date for the construction of the Remaining Blocks cannot be ascertained at this juncture.

(Source: Judicial Manager and management of CCPSB)

In accordance with the Joint Venture Agreement, CCPSB is solely responsible for carrying out, developing, constructing and completing the Project and responsible for the funding of the Project.