

**OTHERS SELANGOR PROPERTIES BERHAD (“SPB” OR “THE COMPANY”) PROPOSED DISPOSAL OF A PARCEL OF FREEHOLD LAND MEASURING APPROXIMATELY 25,686 SQUARE METRES HELD UNDER GERAN 70133 LOT 56495 MUKIM/DAERAH KUALA LUMPUR, NEGERI WILAYAH PERSEKUTUAN KUALA LUMPUR (“PROPOSED DISPOSAL”)**

SELANGOR PROPERTIES BERHAD

Type	Announcement
Subject	OTHERS
Description	SELANGOR PROPERTIES BERHAD (“SPB” OR “THE COMPANY”)PROPOSED DISPOSAL OF A PARCEL OF FREEHOLD LAND MEASURING APPROXIMATELY 25,686 SQUARE METRES HELD UNDER GERAN 70133 LOT 56495 MUKIM/DAERAH KUALA LUMPUR, NEGERI WILAYAH PERSEKUTUAN KUALA LUMPUR (“PROPOSED DISPOSAL”)

The Company wishes to announce that its wholly-owned subsidiaries, namely Bungsar Hill Holdings Sdn Bhd (“**Bungsar Hill**”), Oriseven Sdn Bhd (“**Oriseven**”), Orieight Sdn Bhd (“**Orieight**”) and Orinine Sdn Bhd (“**Orinine**”) (collectively, the “**Vendors**” or “**Vendor**” individually) have on 3rd March 2014 accepted the offer from Jendela Mayang Sdn Bhd (“**Purchaser**” or “**Jendela Mayang**”) to purchase all that piece of freehold land identified as Geran 70133 Lot 56495, Mukim/Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur measuring approximately 25,686 square metres (“**Land**”) for a total cash consideration of RM450 million (“**Offer**”), subject to the terms and conditions of the term sheet set out therein (“**Term Sheet**”) (“**Proposed Disposal**”). Please refer to the attachment for details of the Proposed Disposal.

## SELANGOR PROPERTIES BERHAD (“SPB” OR “COMPANY”)

### PROPOSED DISPOSAL OF A PARCEL OF FREEHOLD LAND MEASURING APPROXIMATELY 25,686 SQUARE METRES HELD UNDER GERAN 70133 LOT 56495 MUKIM/DAERAH KUALA LUMPUR, NEGERI WILAYAH PERSEKUTUAN KUALA LUMPUR (“PROPOSED DISPOSAL”)

#### 1. INTRODUCTION

The Company wishes to announce that its wholly-owned subsidiaries, namely Bungsar Hill Holdings Sdn Bhd (“**Bungsar Hill**”), Oriseven Sdn Bhd (“**Oriseven**”), Orieight Sdn Bhd (“**Orieight**”) and Orinine Sdn Bhd (“**Orinine**”) (collectively, the “**Vendors**” or “**Vendor**” individually) have on 3<sup>rd</sup> March 2014 accepted the offer from Jendela Mayang Sdn Bhd (“**Purchaser**” or “**Jendela Mayang**”) to purchase all that piece of freehold land identified as Geran 70133 Lot 56495, Mukim/Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur measuring approximately 25,686 square metres (“**Land**”) for a total cash consideration of RM450 million (“**Offer**”), subject to the terms and conditions of the term sheet set out therein (“**Term Sheet**”) (“**Proposed Disposal**”).

#### 2. DETAILS OF THE PROPOSED DISPOSAL

The salient terms and conditions for the Proposed Disposal based on the Term Sheet, among others, are as follows:

##### 2.1 Sale and purchase

The Vendors have agreed to sell and the Purchaser has agreed to purchase the Land free from all encumbrances and with vacant possession. The Vendors and the Purchaser (collectively, the “**Parties**”) shall enter into a sale and purchase agreement for the Proposed Disposal (“**SPA**”).

##### 2.2 Disposal consideration

The disposal consideration of RM450 million (“**Disposal Consideration**”) is final and is not subject to any adjustments nor any final measurement or survey of the Land by the Independent Valuer (as defined below).

##### 2.3 Conditions

The Proposed Disposal shall be conditional upon the following conditions precedent being fulfilled within the CP Period (as defined below):

- (i) approval of the shareholders of SPB at an Extraordinary General Meeting (“**EGM**”) to be convened for the Proposed Disposal (if required); and
- (ii) approval of Mass Rapid Transit Corporation Sdn Bhd (“**MRT Corp**”) for the novation of all rights and obligations of the Vendors under the MRT Mutual Agreement (as defined below) to the Purchaser (“**Novation**”) under a novation agreement to be executed between the Vendors, the Purchaser and MRT Corp (“**Novation Agreement**”).

Upon fulfillment of the CPs (“**Unconditional Date**”), the SPA shall become unconditional.

##### 2.4 Mode of settlement of the Disposal Consideration

- 2.4.1 The Disposal Consideration shall be settled by the Purchaser fully in cash and in the following manner:
- (i) upon the execution of the Term Sheet as at the date hereof, the Purchaser has paid a sum of RM5 million to the Vendors as earnest deposit (“**Earnest Deposit**”);
  - (ii) upon the execution of the SPA, the Purchaser shall pay to the Vendors a sum of RM40 million as balance deposit (“**Balance Deposit**”);
  - (iii) the balance sum of RM405 million, representing 90% of the Disposal Consideration (“**Balance Consideration**”), shall be settled by the Purchaser:
    - (a) within 3 months from the Unconditional Date (“**Payment Due Date**”); or
    - (b) subject to an automatic extension of 3 months or such other mutually agreed extended period (“**Extended Payment Due Date**”) but with interest at the rate of 8% per annum on any part of the Balance Consideration that remains outstanding, to be calculated on a daily rest basis until the date of full payment (“**Late Payment Interest**”).
- 2.4.2 The SPA based on the salient terms and conditions set out in the Term Sheet shall be executed by the Parties within 2 months from the acceptance date of the Term Sheet (“**the Exclusivity Period**”). The Earnest Deposit will be forfeited by the Vendor in the event the SPA is not executed within the Exclusivity Period solely due to the Purchaser’s default.
- 2.4.3 There is no arrangement for the Disposal Consideration to be paid on a deferred basis.

## **2.5 Basis and justification of the Disposal Consideration**

- 2.5.1 The Disposal Consideration of RM450 million was arrived at after taking into consideration the indicative market value of the Land based on an indicative valuation undertaken by VPC Alliance (KL) Sdn Bhd (“**Independent Valuer**”), an independent registered valuer appointed by the Company, using the Comparison Method of valuation.
- 2.5.2 The Land was acquired on 29<sup>th</sup> December 1995 and the original cost of investment in the Land was RM106.6 million.

## **2.6 Liabilities to be assumed by the Purchaser**

The Purchaser, among others, will assume all rights and obligations of the Vendors under the MRT Mutual Agreement, as set out in Section 4.2 of this announcement, pursuant to the Novation.

### 3. PROPOSED UTILISATION OF PROCEEDS

The Company intends to utilise the proceeds from the Proposed Disposal as follows:

<b>Utilisation of proceeds</b>	<b>RM mil</b>	<b>Estimated timeframe for utilisation</b>
Repayment of borrowings <sup>(1)</sup>	237.0	Within 1 year
Working capital/acquisitions <sup>(2)</sup>	212.5	Within 3 years
Estimated expenses in relation to the Proposed Disposal	0.5	Within 1 month
	<u>450.0</u>	

#### Notes:

- (1) *The Company intends to use up to RM237 million of the proceeds from the Proposed Disposal to pare down its existing borrowings (including interest payable). Based on the average interest rate incurred by the SPB Group of 6 % per annum, the repayment is expected to result in annual interest savings of approximately RM14.2 million.*
- (2) *The Company intends to use part of the proceeds from the Proposed Disposal for general working capital purposes, including the financing of construction development and other day-to-day expenses. The breakdown of proceeds to be used for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of the Company. The actual utilisation by each component of working capital may therefore differ subject to the operating requirements and the time of utilisation.*

*In addition, the Company may also use the available proceeds for the acquisition of landbank if such opportunities arise, with the view to maximise shareholder value in the future. However, as at the date hereof, the Company has not identified any particular assets for acquisition. Any decision to acquire property assets in the future would take into account the SPB and its subsidiaries ("SPB Group")'s working capital requirements prevailing at that time.*

Any variation to the amount of repayment of borrowings and estimated expenses in relation to the Proposed Disposal will result in an adjustment to the amount allocated for working capital/acquisitions of the SPB Group.

Pending utilisation of proceeds from the Proposed Disposal for the above purpose, the proceeds would be placed in deposits with financial institutions or short-term money market instruments.

### 4. INFORMATION ON THE LAND

#### 4.1 General

The said Land is a commercial land situated in Pusat Bandar Damansara, Damansara Heights, Kuala Lumpur. It is currently used as a car park for the public generating parking income to the SPB Group.

Brief description of the Land is as follows:

Address	:	Geran 70133 Lot 56495, Mukim/Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur
Land area	:	Approximately 25,686 square metres (or 6.34 acres)
Category of land use	:	Building (commercial)

Rental income	:	Car park income of RM433,500 per annum based on the audited financial statements of SPB Group for the financial year ended 31 October 2013
Tenure	:	Freehold
Restriction in interest	:	Nil
Encumbrances	:	Nil
Indicative market value based on the Independent Valuer	:	RM300.0 million
Audited net book value as at the financial year ended 31 October 2013	:	RM108.2 million
Disposal Consideration	:	RM450.0 million

#### 4.2 MRT Mutual Agreement

On 2 May 2013, Bungsar Hill, the registered proprietor of the Land, signed a mutual agreement with MRT Corp (“**MRT Mutual Agreement**”). Under the MRT Mutual Agreement, Bungsar Hill undertakes to do, inter alia, the following:

- (i) design and construct an entrance portal which will enable the public to enter and exit the MRT station at Pusat Bandar Damansara (“**Entrance Portal**”);
- (ii) design, construct and provide layby facilities for buses, taxis and private vehicles at the said Land (“**Layby Facilities**”);
- (iii) design, construct and provide parking facilities for motor vehicle, motorcycle as well as bicycle at the said Land (“**Parking Facilities**”).

#### 5. INFORMATION ON THE VENDORS

The Vendors are all wholly-owned subsidiaries of the Company.

Bungsar Hill is the registered proprietor of the Land, while Oriseven, Orieight and Orinine are the beneficial owners of the respective parts of the Land.

Further information on the Vendors is set out below:

Vendors	Date of incorporation	Principal activities	Authorised share capital <sup>^</sup>		Issued and paid-up share capital <sup>^</sup>	
			No. of shares	RM	No. of shares	RM
Bungsar Hill	11.7.1963	Property investment and investment holding	500,000 ordinary shares at RM100 par value each	50,000,000	62,000 ordinary shares at RM100 par value each	6,200,000

Oriseven	20.9.1995	Property investment	100,000 ordinary shares at RM1.00 par value each	100,000	2 ordinary shares at RM1.00 par value each	2
			40,000,000 RPS* at RM0.01 per share	400,000	30,160,000 RPS at RM0.01 per share	301,600
Orieight	23.9.1995	Property investment	100,000 ordinary shares at RM1.00 par value each	100,000	2 ordinary shares at RM1.00 par value each	2
			30,000,000 RPS at RM0.01 per share	300,000	27,810,000 RPS at RM0.01 per share	278,100
Orinine	23.9.1995	Property investment	100,000 ordinary shares at RM1.00 par value each	100,000	2 ordinary shares at RM1.00 par value each	2
			50,000,000 RPS at RM0.01 per share	500,000	49,800,000 RPS at RM0.01 per share	498,000

^ As at the date of this announcement.

\*RPS – Redeemable Preference Share

## 6. INFORMATION ON THE PURCHASER

Jendela Mayang was incorporated in Malaysia on 10 October 2013 and its principal activities are general trading, investment holding, property investment and construction.

As at the date hereof, Jendela Mayang has an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM100 comprising 100 ordinary shares of RM1.00 each. The shareholders and directors of Jendela Mayang are as follows:

<b>Shareholders/Directors</b>	<b>No. of ordinary shares held</b>	<b>%</b>
Hj Jameson Bin Pias @ Zainal Bin Pias	40	40
Mohd Khairuddin Bin Hj Nawawi	30	30
Rosadah Binti Awang	30	30
	<b>100</b>	<b>100.0</b>

## **7. EFFECTS OF THE PROPOSED DISPOSAL**

### **7.1 Issued and paid-up share capital and substantial shareholders' shareholdings**

The Proposed Disposal will not have any effect on the Company's issued and paid-up share capital and/or substantial shareholders' shareholding in the Company as the Proposed Disposal does not involve any issuance of SPB shares.

### **7.2 Earnings**

The Proposed Disposal is not expected to have any material effect on the earnings and earnings per share ("EPS") of the SPB Group for the current financial year ending 31 October 2014 as the Proposed Disposal is expected to be completed in the next financial year.

Based on the net book value of the Land of RM108.2 million as at 31 October 2013, SPB Group expects to realise from the Proposed Disposal a net gain of RM376.2 million (after tax and expenses) or RM1.09 per ordinary share in the financial year ending 31 October 2015.

However, upon completion of the Proposed Disposal, the Land which have contributed approximately RM433,500 per annum to the consolidated earnings of the SPB Group or 0.13 sen to the consolidated EPS of the SPB Group for the financial year ended 31 October 2013 will no longer be consolidated as part of the SPB Group moving forward.

On the other hand, based on the average interest rate of the SPB Group of 6%, the proposed repayment of borrowings from part of the proceeds of the Proposed Disposal is expected to result in savings to interest cost on borrowings (after taxation) of approximately RM14.2 million per annum or a 4.1 sen increase to the consolidated EPS of the SPB Group, on the assumption that the Proposed Disposal and the repayment of borrowings had been effected on 31 October 2013. The balance of the proceeds thereof (after adjusting for general working capital requirements and expenses in relation to the Proposed Disposal) of approximately RM212.5 million would be placed in deposits with financial institutions or short-term money market instruments and is expected to generate interest income of approximately RM6.38 million per annum based on assumed interest rate of 3% for such deposits.

### **7.3 Net assets and gearing**

Based on the latest audited financial statements of SPB Group as at 31 October 2013 and on the assumption that the Proposed Disposal had been effected on that date, the net assets of the SPB Group is expected to increase by RM1.09 to RM6.76 per ordinary share and gearing ratio is expected to improve from 0.4% to 0%.

## **8. RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal provides an avenue for the Company to unlock and realise the value of its investments. The proceeds from the Proposed Disposal can be utilised to pare down existing borrowings and for working capital purposes as well as providing the coffers for future acquisition of land banks as and when opportunities arise.

## **9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM**

None of the directors and/or the major shareholders of the Company and/or persons connected with them have any interest, direct or indirect in the Proposed Disposal.

**10. PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") is 22.2% computed based on the audited consolidated accounts of SPB as at 31 October 2013.

**11. DIRECTORS' STATEMENT**

The Board of Directors of SPB is of the opinion that the Proposed Disposal is in the best interest of the SPB Group.

**12. CONDITIONS**

The Proposed Disposal is subject to the following:

- (i) the Parties entering into the SPA for the Proposed Disposal;
- (ii) approval of the shareholders of SPB at an EGM to be convened (if required); and
- (iii) approval of MRT Corp for the Novation as set out in Section 2.3(ii) above.

The Proposed Disposal is not conditional upon any other corporate proposals of the Company.

**13. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the first quarter of the financial year ending 31 October 2015.

The SPA and valuation report, once finalised, will be made available for inspection, details of which will be announced in due course.

**This announcement is dated 3<sup>rd</sup> March 2014.**