

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS): NON RELATED PARTY TRANSACTIONS 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: TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)
NON RELATED PARTY TRANSACTIONS

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 announcements made by the Company on 3 March 2014, 6 June 2014 and 6 August 2014 refers.

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 (“Oreight”) and Orinine Sdn Bhd (“Orinine”) (collectively, the “Vendors” or “Vendor” individually) have on 30 September 2014 entered into the Sale and Purchase Agreement (“SPA”) with Jendela Mayang Sdn Bhd (“Purchaser” or “Jendela Mayang”) for the disposal of 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, subject to the terms and conditions of the SPA set out therein.

(Unless stated otherwise, definitions used in this announcement shall carry the same meaning as defined in the announcements dated 3 March 2014, 6 June 2014 and 6 August 2014 in relation to the above matter.)

This announcement is dated 30 September 2014.

Kindly refer to the attachment for further information.

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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 30 September 2014 entered into the Sale and Purchase Agreement (“**SPA**”) with Jendela Mayang Sdn Bhd (“**Purchaser**” or “**Jendela Mayang**”) for the disposal of 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 (“**Purchase Price**”), subject to the terms and conditions of the SPA set out therein (“**Proposed Disposal**”).

(Unless stated otherwise, definitions used in this announcement shall carry the same meaning as defined in the announcements dated 3 March 2014, 6 June 2014 and 6 August 2014 in relation to the above matter.)

2. DETAILS OF THE PROPOSED DISPOSAL

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

2.1 Sale and Purchase of Land

The Vendors have agreed to sell and the Purchaser has agreed to purchase the Land on “as is where is”; free from all encumbrances, save and except for those as stated in the MRT Mutual Agreement; subject to the existing category of land use and all restrictions in interest and conditions of title applicable thereto whether express or implied and as may be set out in the issue document of title to the Land and with vacant possession.

2.2 Deposit and Purchase Price

The consideration for the sale of Land is the Purchase Price, which shall comprise the following consideration payable to the respective Vendors:-

	Vendor	Consideration
a.	Oriseven	RM127,260,000.00
b.	Orieight	RM115,560,000.00
c.	Orinine	RM207,180,000.00
	Total	RM450,000,000.00

The Purchase Price shall be settled by the Purchaser fully in cash and in the following manner:-

- (i) The Vendors acknowledge that the Purchaser has, before the date of the SPA, paid a sum of RM5.5 million to the Vendors as earnest deposit which shall be regarded as part payment towards the Purchase Price;
- (ii) Upon the execution of the SPA, the Purchaser shall pay to the Vendors a sum of RM39.5 million as balance deposit in the following manner:-

- a. the sum of RM30.5 million to the Vendors; and
 - b. the sum of RM9 million equivalent to 2% of the Purchase Price to be retained and paid to the Director-General of Inland Revenue Board (“**DGIR**”) as required under the Real Property Gains Tax Act 1976 (Act 169) (“**Retention Sum**”) to the Vendors’ solicitors, as stakeholders.
- (iii) The balance sum of the Purchase Price of RM405 million (“**Balance Consideration**”), representing 90% of the Purchase Price 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 from the Payment Due Date or such other mutually agreed extended period but with interest at a rate of 8% per annum on any part of the Balance Consideration that remains outstanding, to be calculated on a daily basis from the first day of the extended period until the date of full payment.

2.3 Conditions Precedent

- (i) The Proposed Disposal shall be conditional upon Bungsar Hill obtaining the following, on or before the date falling 6 months from the date of the SPA or such extended date as may be mutually agreed upon by the Parties (“**Condition Precedent Fulfilment Due Date**”):-
- a. the written approval of MRT Corp for the sale of the Land to the Purchaser pursuant to the MRT Mutual Agreement and the novation of all rights and obligations of Bungsar Hill under the MRT Mutual Agreement to the Purchaser based on the terms and conditions existing as at the date of the SPA; and
 - b. the execution of the MRT Mutual Agreement Novation Agreement in escrow to be made effective on the Completion Date of the SPA between MRT Corp, Bungsar Hill and the Purchaser (“**MRT Mutual Agreement Novation Agreement**”).
- (ii) Upon fulfilment of the conditions precedent within the Condition Precedent Fulfilment Due Date, the SPA shall become unconditional (“**the Unconditional Date**”).
- (iii) If the conditions precedent are not obtained within the Condition Precedent Fulfilment Due Date, either party shall be entitled to terminate the SPA and upon the termination of the SPA:-
- a. Bungsar Hill and the Vendors shall within 5 Business Days of termination, refund to the Purchaser a sum equivalent to the Earnest Deposit and the Balance Deposit less the Retention Sum, free from all interest in exchange for the returning to Bungsar Hill the valid and registrable Memorandum of Transfer in Form 14A of the National Land Code 1965 duly executed by Bungsar Hill in favour of the Purchaser in respect of the Land and other relevant documents forwarded to the Purchaser and the removal (at the Purchaser’s own cost and expenses) of the Purchaser’s private caveat

lodged or private caveat lodged on behalf of the Purchaser (if any) over the Land with Bungsar Hill's rights and interest on the Land fully intact;

b. Bungsar Hill and the Vendors shall within:-

b(i) 1 week after its receipt of refund of the Retention Sum from the DGIR; or

b(ii) 4 months from the date of termination of the SPA;

whichever is the earlier, refund to the Purchaser a sum equivalent to the Retention Sum free from all interest; and

c. all obligations and liabilities of the parties hereunder shall cease to have effect and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breaches.

3. BASIS AND JUSTIFICATION OF THE DISPOSAL CONSIDERATION

3.1 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.

3.2 The Land was acquired on 29 December 1995 and the original cost of investment in the Land was RM106.6 million.

4. LIABILITIES TO BE ASSUMED BY THE PURCHASER

The Purchaser, among others, will assume all rights and obligations of Bungsar Hill under the MRT Mutual Agreement pursuant to the MRT Mutual Agreement Novation Agreement.

5. PROPOSED UTILISATION OF PROCEEDS

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

<u>Utilisation of proceeds</u>	<u>RM mil</u>	<u>Estimated timeframe for utilisation</u>
Repayment of borrowings ⁽¹⁾	237.0	Within 1 year
Working capital/acquisitions ⁽²⁾	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 and its subsidiaries ("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*

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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 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.

6. INFORMATION ON THE LAND

6.1 General

The 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

7. 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.

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Further information on the Vendors is set out below:

Vendors	Date of incorporation	Principal activities	Authorised share capital [^]		Issued and paid-up share capital [^]	
			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

8. 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.

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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:

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

9. EFFECTS OF THE PROPOSED DISPOSAL

9.1 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.

9.2 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 RM123,600 per annum to the consolidated earnings of the SPB Group or 0.03 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.

9.3 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%.

10. 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.

11. 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.

12. 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.

13. 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.

14. CONDITIONS/APPROVALS REQUIRED

The Proposed Disposal is subject to conditions as set out in Section 2.3 above.

The Proposed Disposal is not subject to the approval of the shareholders of SPB or any other governmental authorities' approval.

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

15. ESTIMATED TIMEFRAME FOR COMPLETION

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

16. DOCUMENTS FOR INSPECTION

The Sale and Purchase Agreement dated 30 September 2014 and valuation report dated 28 February 2014 are available for inspection at the registered office of SPB at Lot 6.05, Level 6, KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan during normal business hours on Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement

This announcement is dated 30 September 2014.