

TITIJAYA LAND BERHAD ("TITIJAYA" OR "PURCHASER" OR "COMPANY")
- PROPOSED SHARE SALE AGREEMENT BETWEEN TITIJAYA, TAN CHUAN CHEONG AND TEE TIONG LEE

1. INTRODUCTION

The Board of Directors of Titijaya wishes to announce that the Company had on 27 February 2017, entered into a share sale agreement with Tan Chuan Cheong and Tee Tiong Lee ("**Vendors**") ("**Share Sale Agreement**") for the proposed acquisition of 3,000,000 ordinary shares equivalent to RM3,000,000.00, representing the entire issued share capital of Sri Komakmur Development Sdn. Bhd. (Company No. 90489-M) ("**SKDSB**") ("**Sale Shares**") for a purchase consideration of RM70,919,000.00. ("**Proposed Acquisition**").

Upon completion of the Proposed Acquisition, SKDSB and its subsidiaries as listed below will be consolidated as subsidiaries of Titijaya.

2. INFORMATION ON SKDSB

SKDSB was incorporated in Malaysia on 23 September 1982 as a private limited company and has an authorised share capital of 3,000,000 ordinary shares, of which all the ordinary shares have been fully issued. The nature of business of SKDSB is investment.

As at the date of this announcement, the Vendors are the directors and shareholders of SKDSB. The proportionate shareholding of SKDSB is as follows:-

Shareholders	Shareholding	Percentage (%)
Tee Tiong Lee	1,470,000	49%
Tan Chuan Cheong	1,530,000	51%

Based on the audited financial statements for the financial year ended 30 September 2014, SKDSB recorded a profit after taxation of RM3,165,851 and net assets position of RM3,878,376. Subsequently, based on the latest consolidated management accounts as at 30 September 2016, SKDSB recorded a profit after taxation of RM564,612 and net assets of RM6,764,022.

SKDSB is the registered owner of the leasehold land held under title CL215112806 (Minintod, Sabah) ("**Land 1**") and will be undertaking the Proposed Amalgamation, Subdivision and Conversion for Housing Development on part of the Land, NT9422 (Minintod, Sabah) and NT4798 (Melintod, Sabah).

SKDSB is the holding company of the following companies incorporated in Malaysia with their details as set out hereunder:

<u>Subsidiary 1</u>	
Name	: Renofajar Sdn. Bhd. (" RSB ")
Company No.	: 650349-H
Date of Incorporation	: 24.04.2004
Nature of Business	: Property Developer
Issued Share Capital	: 3,200,000.00 ordinary shares equivalent to RM3,200,000.00

Subsidiary 2

Name : Blu Waterfront Development Sdn. Bhd.
("BWDSB")
Company No. : 820786-P
Date of Incorporation : 09.06.2008
Nature of Business : Property Developer
Issued Share Capital : 1,700,000.00 ordinary shares equivalent to
RM1,700,000.00

Subsidiary of Subsidiary 2

Name : Laksana Wawasan Sdn. Bhd. ("LWSB")
Company No. : 1185173-A
Date of Incorporation : 26.04.2016
Nature of Business : Investment
Issued Share Capital : 2 ordinary shares equivalent to RM2.00

RSB, a direct wholly-owned subsidiary of SKDSB, is granted with the Power of Attorney on a leasehold land held under title Town Lease 117508684 (Kg.Bakau, Sabah) ("**Land 2'**")

BWDSB, a direct wholly-owned subsidiary of SKDSB, is the registered owner of a leasehold land held under title TL017526475 (Kota Kinabalu, Sabah) ("**Land 3'**")

3. INFORMATION ON THE LANDS

The details of the Lands are as follows:-

Land 1

Title no. : Country Lease 215112806, NT9422, NT4798
State : Sabah
Locality : Minintod
Land area : 10.953 acres
Tenure : Leasehold - 99year
Commencing - 13 April 1953
Expiring - 12 April 2052
Registered owner : SKDSB
Valuation method : Market Value
Current market value : RM18,500,000

Land 2

Title no. : Town Lease 117508684
State : Sabah
Locality : Kg.Bakau
Land area : 62.67 acres, more or less
Tenure : Leasehold - 99year
Commencing - 1 January 1988
Expiring - 31 December 2087

Registered owner	: Lembaga Pembangunan Perumahan Dan Bandar
Power of Attorney	: RSB
Valuation method	: Market Value
Current market value	: RM74,139,278.00

Land 3	
Title no.	: Town Lease 017526475
State	: Sabah
Locality	: Kota Kinabalu
Land area	: 1.821 acres, more or less
Tenure	: Leasehold - 99year Commencing - 1 January 1973 Expiring - 31 December 2071
Registered owner	: BWDSB
Valuation method	: Market Value
Current market value	: RM80,000,000

(Collectively referred to as "**the Lands**")

4. SALIENT TERMS OF THE SHARE SALE AGREEMENT

The salient terms of the Share Sale Agreement between Titijaya and Vendors ("**Parties**") include, *inter alia* the following:-

4.1 Agreement for Sale and Purchase of Sale Shares

The Vendors hereby agrees to sell and the Purchaser hereby agrees to purchase the Sale Shares free from all claims, charges, liens, pledges or any other encumbrances affecting the same with all the rights and with all privileges attaching thereto or accruing thereon as at and from the date hereof including all rights to dividends and other distributions as declared or made at the Purchase Consideration (as defined in the Share Sale Agreement) and upon the terms and conditions herein.

4.2 Completion Date of Share Sale Agreement

180 days from the date of Share Sale Agreement ("**Initial Completion Date**") with an automatic extension of another 60 days or any extension of time as may be mutually agreed between the Parties ("**Extended Completion Date**"). The Extended Completion Date will be subject to a 6% per annum interest tabulated on daily basis.

4.3 Conditions Precedent

The provisions of the Share Sale Agreement are strictly subjected to and conditional upon:-

- (a) a certified copy of the SKDSB's Board Resolution and shareholders' resolution passed in accordance with its Articles of Association approving the transfer of the Sale Shares.

- (b) the approval of any other relevant authorities (if any).
- (c) the approvals of the board of directors and shareholders of the Purchaser.

All of which approvals and conditions shall hereinafter be collectively referred to as "the Approvals".

- (d) that the Vendors shall execute the appropriate letter of resignation as director and the appropriate forms to effect to transfer all the shares of SKDSB whether in its present name or future to be altered name to the Purchaser.

4.4 Consideration for the Proposed Acquisition

The payment of the Purchase Consideration for the Sale Shares in respect of the Share Sale Agreement shall be made as follow:

Timing	Amount (RM)
10% upon execution of the Share Sale Agreement	7,091,900
90% of the Balance Purchase Consideration within the Completion Date	63,827,100
Total Purchase Consideration	70,919,000

5. BASIS AND JUSTIFICATION FOR ARRIVING AT THE PURCHASE CONSIDERATION

The total purchase consideration for the Sale Shares was arrived at on a willing-buyer, willing-seller basis, *inter alia*:

- (a) the rationale of the Proposed Acquisition as set out in Section 8 of this announcement;
- (b) the potential development prospects of the Lands as set out in Section 9 of this announcement;
- (c) the rights to develop the Lands with the indicative current market value as set out in Section 3 of this announcement.

6. SOURCE OF FUNDING

For the Proposed Acquisition, the Sale Shares shall be satisfied via internally generated funds and bank borrowings.

7. LIABILITIES TO BE ASSUMED

Titijaya is not expected to assume other liabilities, including contingent liabilities and guarantees arising from the Proposed Acquisition.

8. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition enables Titijaya, through SKDSB, to gain access to 75.444 acres of prime land within the high-growth and fast maturing central development spine of Sabah.

The Lands, which are situated at the prime location of Sabah, is strategically located near to the notable local landmarks such as The Bank Negara Building, Royal Malaysia

Custom, Bukit Padang Hospital, and Sabah Golf & Country Club and other local major government bodies.

The nearby public transportation hub, i.e. The Jesselton Point, offers ferry and speed boat services for the public and tourists to offshore such as Tunku Abdul Rahman Marine Park and Labuan, of which is one of the main city attractions offering international and local cafes together with souvenirs and handcraft shops.

There are more direct flights to Sabah these days, which provide greater connectivity from various countries. This will further promote the tourism industry and ignite a vibrant business environment. The Sabah state government has also been very encouraging in promoting its tourism industry to make it another major source of income for the state, to drive its economy. All these efforts and catalysts shall certainly help to improve the demand for commercial and residential properties in Sabah.

The Board is confident that the proposed development on the above mentioned Lands would enhance the future revenue and earnings profits of the Group after considering the indicative valuation as mentioned in Section 3 of this announcement and taken into consideration the surrounding development within the vicinity of the Lands.

The Proposed Acquisition demonstrates the Board's initiative in pursuing growth and sustainability in the Group's property development activities. The Board believes the Proposed Acquisition will lead to an expansion of the Group's development activities in the future and is expected to contribute positively to the Group's financial performance.

9. PROSPECTS

Sabah is a popular tourism location, which ranked at No. 6 on the 2016 Retire Overseas Annual Index for the Best Places in the World to Retire. It has become a place of choice as an investment for investors and top tourist destination for China tourists.

In view of the strategic location, the prospects of the development are expected to be encouraging. The Board is of the view that the demand for residential and commercial properties in Sabah is expected to remain favourable among local and foreign buyers. Barring any unforeseen circumstances which may have an adverse impact on the demand for residential properties in Sabah, the Board is upbeat that the development of the Lands will contribute positively to the Group's financial performance.

10. RISK FACTORS

10.1 Non-completion risk

Completion of the Proposed Acquisition is subject to among others, the fulfilment of the Conditions Precedent as set out in the Share Sale Agreement. There is no guarantee that the Conditions Precedent will be fulfilled or the Proposed Acquisition will be completed within the timeframe stipulated in the Share Sale Agreement. Any delay in the fulfilment of the Conditions Precedent may lead to a delay in the completion or termination of the Proposed Acquisition.

Nevertheless, the Board is confident that the Conditions Precedent will be met within the stipulated timeframe and will take all reasonable steps and exert all

efforts to obtain the necessary approvals to complete the Proposals in a timely manner.

10.2 Financing and interest rate risk

The Group may seek external financing to fund the Proposed Acquisition. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors' confidence in the Group or any restrictions imposed by the Government of Malaysia and political, social and economic conditions in Malaysia. There can be no assurance that the necessary financing will be available in amounts or on terms acceptable to the Group.

In addition, the Group could potentially be exposed to fluctuations in interest rates on such external debt financing obtained, leading to higher borrowing costs which may adversely affect the Group's future results of operations and financial performance as well as its ability to service future loan repayment obligations. Nevertheless, the Group shall continuously monitor and review its debt and equity funding mix, which includes taking into consideration its gearing level, interest costs as well as cash flows in achieving an overall optimal capital structure.

The Board believes the Group's gearing will be reduced via future earnings and cash flows to be generated from development projects in the future.

10.3 Cost of materials and development projects

The materials used in development projects typically account for 30% to 40% of the total development costs and represent a significant portion of the Group's total development costs. These materials are global commodities for which their availability and prices depend on local and global market conditions. The volatility in petroleum prices, the revision of electricity tariffs and the lifting by the Government of the ceiling prices for steel and cement in Malaysia have created more uncertainty and fluctuation in transportation costs and the cost of building materials. Any fluctuation in transportation and material costs will inevitably affect the Group's profit margins if the Group is unable to fully pass on the cost increase to the customers.

Notwithstanding that there would be fluctuating cost, the Group will consider such costs fluctuation when embarking on new projects and will seek to limit these risks through, inter-alia, innovative pricing financial policy, close supervision on the projects and effective cost management.

10.4 Business risk

The property development projects are subject to risks inherent in the property development industry of which the Group is already involved in. Such risks may include, adverse changes in real estate market prices, changes in demand for types of residential and commercial properties, competition from other property developers, changes in economic, social and political conditions, delay in completion of property development projects against the scheduled completion, performance of third-party sub-contractors, labour and material supply shortages, fluctuations in the prices of building materials and costs of labour charges and adverse changes in property tax assessments and other statutory charges. Any adverse change in such conditions may have an adverse material effect on the development projects undertaken by the Group.

10.5 Political, economic and regulatory considerations

Adverse developments in political, economic, regulatory and social conditions in Malaysia, directly or indirectly, could materially and adversely affect the prospects

of the development. These factors are generally beyond the management's control and affect all the players in the property industry. Nevertheless, the Group will continuously strive to take reasonable and effective measures to mitigate the abovementioned risks.

11. EFFECTS OF THE PROPOSED ACQUISITION

11.1 Share Capital and Shareholdings of Substantial Shareholders

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of Titijaya as it does not involve any issuance of Titijaya shares.

11.2 Net Assets ("NA") and NA per Share

The Proposed Acquisition is expected to have a positive effect on the NA and NA per Share of Titijaya for the financial year ending 30 June 2017. Nevertheless, the effect cannot be quantified at this point in time as the development has not commenced.

11.3 Earnings

The Proposed Acquisition is not expected to have any material impact on the earnings of Titijaya for the financial year ending 30 June 2017. Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings of Titijaya as and when the proposed development of the Lands comes on-stream.

11.4 Gearing

As disclosed in Section 6 above, Titijaya intends to fund the Proposed Acquisition through internally generated funds and bank borrowings which have not been finalised, hence the effect of the Proposed Acquisition on the gearing of Titijaya cannot be ascertained at this juncture.

11.5 Risk in relation to the Proposed Acquisition

Risk factors affecting the Proposed Acquisition include but are not limited to changes in conditions of competition, economic, business, political and legal framework environment. Titijaya will undertake the necessary efforts to mitigate the various business risks identified.

The Board is not aware of any other material risk arising from the Proposed Acquisition other than stated above.

12. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approvals of any authority and/or the shareholders of the Company.

13. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED ACQUISITION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by 4th Quarter of 2017.

14. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 13%, based on the latest audited consolidated financial statements of Titijaya for the financial year ended 30 June 2016.

15. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS INTEREST

None of the Directors and/or Substantial Shareholders of Titijaya or persons connected to them has any interest, direct or indirect, in the Proposed Acquisition.

16. DIRECTORS' STATEMENT

The Board of Directors of Titijaya, having considered all aspects of the Proposed Acquisition, including but not limited to the salient terms and conditions of the Share Sale Agreement as fair and reasonable, is of the opinion that the Proposed Acquisition is in the best interest of the Company and its group of companies.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The Share Sale Agreement will be available for inspection at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur for a period of 3 months from the date of this announcement.

This announcement is dated 27 February 2017.