TITIJAYA LAND BERHAD ("TITIJAYA" OR THE "COMPANY")

PROPOSED ACQUISITION BY CITY MERIDIAN DEVELOPMENT SDN BHD ("CMD" OR "PURCHASER"), A WHOLLY-OWNED SUBSIDIARY OF TITIJAYA, OF A PARCEL OF LEASEHOLD LAND HELD UNDER PN 4022, LOT NO. 12174, MUKIM 12, DAERAH BARAT DAYA, PULAU PINANG ("LAND") FROM TITIJAYA GROUP SDN BHD ("TGSB" OR "VENDOR") FOR CASH CONSIDERATION OF RM126,000,000 ("PROPOSED ACQUISITION")

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1. INTRODUCTION

On behalf of the Board of Directors of Titijaya ("Board"), TA Securities Holdings Berhad ("TA Securities") wishes to announce that CMD has entered into a conditional sale and purchase agreement ("SPA") with TGSB on 21 May 2014 in relation to the Proposed Acquisition.

2. DETAILS OF THE PROPOSED ACQUISITION

CMD, a wholly-owned subsidiary of Titijaya is proposing to acquire the Land from TGSB for a cash consideration of RM126,000,000. The Land is to be acquired by TGSB via a conditional sale and purchase agreement between TGSB and Lembaga Kemajuan Ikan Malaysia ("Registered Proprietor") dated 11 November 2013 for the same purchase consideration of RM126,000,000 ("TGSB Agreement"). The TGSB Agreement is expected to be completed by November this year. Parties to the TGSB Agreement and SPA will simultaneously perform their respective obligations in both the agreements, and the TGSB Agreement and SPA are expected to be completed around the same time. The details of the Proposed Acquisition are set-out in the ensuing paragraphs.

2.1. Information on the Land

Title particulars	:	PN 4022, Lot 12174, Mukim 12, Daerah Barat Daya, Pulau Pinang.
Land area	:	8.264 hectare
Category of land use	:	Building
Registered proprietor	:	Registered Proprietor (as defined above)
Express condition	:	Tanah yang diberimilik ini hendaklah digunakan untuk tujuan Kompleks Pendaratan Ikan sahaja.
Tenure	:	Leasehold 99 years expiring on 2 April 2095
Other endorsements	:	Private Caveat via presentation number 0799B2014003391 ("Private Caveat") entered by the Vendor
Restriction-in-interest	:	Tanah yang diberimilik ini tidak boleh dipindah milik, cagar, pajak atau pajakan kecil atau apa-apa urusan sekalipun diuruskan tanpa kebenaran bertulis daripada Pihak Berkuasa Negeri

Located in a well-developed area at the south-eastern portion of Penang Island, the Land is within walking distance to the south of the site of the newly completed Sultan Abdul Halim Mua'dzam Shah Bridge or Penang Second Bridge. The Penang Second Bridge is approximately 9km south of the existing Penang Bridge, approximately 16km south-east of the Penang Ferry Terminal in Georgetown (capital of the Penang State), and approximately 8km by road to the Penang International Airport.

The Land is conveniently accessible from the existing Penang Bridge and the Penang Second Bridge via the Tun Dr Lim Chong Eu Expressway. Its accessibility from the Penang Ferry Terminal is via Jalan Pengkalan Weld and through the Tun Dr Lim Chong Eu Expressway. The Land is linked to other major towns in the northern region via the North-South Highway and the Butterworth-Kulim Expressway on the mainland.

The eastern portion of the Land is adjacent to the South Channel and thus enjoys an unobstructed seaview. The immediate surroundings of the Land are predominantly industrial and residential surrounded by several major commercial centres and various amenities.

2.2. Information on the Purchaser

CMD was incorporated in Malaysia as a private limited company on 1 March 2011 under the Companies Act, 1965 ("Act").

The present authorized share capital of CMD is RM500,000 comprising 500,000 ordinary shares of RM1.00 each in CMD ("CMD Shares"), of which RM250,000 comprising 250,000 CMD Shares have been issued and fully paid-up.

CMD has yet to commence operation but will principally be involved in property development. The directors of CMD are Tan Sri Dato' Lim Soon Peng and Lim Poh Yit. CMD is a wholly-owned subsidiary of Titijaya.

2.3. Information on the Vendor

TGSB was incorporated in Malaysia under the Act on 8 May 2002 as a private limited company under the name of Golderex Development Sdn Bhd and assumed its present name on 8 June 2005.

The present authorized share capital of TGSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each in TGSB ("TGSB Shares"), of which RM5,000,000 comprising 5,000,000 TGSB Shares have been issued and fully paid-up.

TGSB is principally an investment holding company. The directors and shareholders of TGSB are Tan Sri Dato' Lim Soon Peng, Lim Poh Yit and Lim Puay Fung.

2.4. Basis and Justification in Arriving at the Purchase Consideration for the Proposed Acquisition

The purchase consideration for the Proposed Acquisition of RM126,000,000 ("Purchase Consideration") to be settled entirely by way of cash was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, amongst others, the cost of investment of the Vendor and the development potential of the Land, further detailed in Section 5.3 of this Announcement.

An independent valuation on the Land was undertaken by CH Williams Talhar & Wong Sdn Bhd ("Valuer") and the market value of the Land, as stated in its Certificate of Valuation, as at date of inspection on 28 April 2014, with vacant possession, free from all encumbrances with permission from the State Authority to transfer, charge, lease and sub-lease and based on the terms and conditions and conditions precedent as stated in the SPA is RM150,000,000.

The Land is also valued on the following assumptions:

(i) The express condition in the document of title of the Land has been varied with the premium fully paid to the relevant authority, to permit it for mixed property development;

(ii) The zoning land use of the Land has been varied with the rezoning fee fully paid to the relevant authority, to render it for mixed property development according to the prevailing documents planning guidelines.

The market value of the Land, as at the date of inspection on 28 April 2014, with vacant possession, free from all encumbrances with permission from the State Authority to transfer, charge, lease and sub-lease and on the abovementioned assumptions, is RM200,000,000.

2.5. Original Cost of Investment

TGSB purchased the Land from the Registered Proprietor vide a sale and purchase agreement dated 11 November 2013 as mentioned above, for a consideration of RM126,000,000 which is expected to be completed by November this year.

2.6. Salient Terms of the SPA

(A) Purchase Consideration

The Purchase Consideration shall be RM126,000,000 as stated in Section 2.4 above.

(B) Deposit

(i) The Purchaser shall pay the sum of RM1,000,000 as deposit ("Deposit") to the Vendor's solicitors, as stakeholders upon execution of the SPA.

(ii) The Vendor's solicitors are authorized to release the Deposit to the Vendor upon the Purchaser being registered as the legal and beneficial owner of the Land and the variation of express condition as approved by the State Authority having been endorsed on the document of title to the Land. If the Memorandum of Transfer in respect of the Land ("MOT") is not capable of being registered in favour of the Purchaser, the Vendor's Solicitors shall forthwith upon receipt of the notice in writing from the Purchaser's solicitors, refund the Deposit sum to the Purchaser free from any interest.

(C) Condition Precedent

(I) Fulfilment of Conditions Precedent

(i) The completion of the sale and purchase of the Land is conditional upon the following conditions having been fulfilled within four (4) months from the date of the SPA or within an extended period as parties hereof mutually agree commencing from the day falling immediately after the expiry of the said preceding four (4) months' period ("Conditions Precedent Period") by the relevant party:-

(a) save and except for the full payment of the purchase price by the Vendor to the Registered Proprietor under the TGSB Agreement, the Purchaser is satisfied that:-

(aa) the Vendor has fulfilled all other conditions precedent stated in the TGSB Agreement, including having obtained the State Authority's consent to transfer the Land from the Registered Proprietor in favour of the Vendor ("Consent 1"); and

(bb) the Registered Proprietor has the absolute rights to sell the Land to the Vendor free from all encumbrances.

(b) the following approvals having been obtained by the Vendor:-

(aa) the written approval from the State Authority to vary the express condition endorsed on the document of title to the Land to a mixed property development ("Development");

(bb) the written approval from the relevant authority approving the undertaking of the Development with plot ratio of 1:4; and

(cc) the written approval from the relevant authority to vary the zoning of the land use to the Development, if required by the relevant authority;

(collectively hereinafter referred to as the "Consent for Variation");

(c) the Private Caveat remains valid and has not been withdrawn or removed;

(d) the Purchaser being satisfied that the Land is vacant, unoccupied by any person and free from all encumbrances;

(e) the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") on the circular to shareholders and the approval of the shareholders of Titijaya by way of general meeting for the acquisition of the Land having been obtained by Titijaya;

(f) the approval from the Board of Directors and shareholders of the Vendor by way of general meeting for the sale of the Land to the Purchaser having been obtained by the Vendor;

(g) the approval from the Board of Directors and shareholders of the Purchaser by way of general meeting for the acquisition of the Land from the Vendor having been obtained by the Purchaser;

(h) the State Authority's consent to transfer the Land from the Vendor in favour of the Purchaser having been obtained by the Vendor ("Consent 2");

(i) the State Authority’s consent to charge the Land in favour of the financial institution whom the Purchaser obtains the loan from in financing or part financing the purchase of the Land having been obtained by the Purchaser (“Consent to Charge”); and

(j) the Purchaser being satisfied with the legal due diligence investigation into the Land,

(collectively referred to as the ‘Conditions Precedent’).

by the Vendor and the Purchaser. If the Consent 1, Consent 2, Consent for Variation or Consent to Charge or all given are conditional, such conditions are deemed fulfilled upon the party affected by it has accepted the conditions, within the Conditions Precedent Period.

(II) Costs for Application for the Consent 1, Consent 2 and Consent for Variation

(i) All costs and expenses for making the necessary applications to obtain the Consent 1, Consent 2 and Consent for Variation shall be advanced by the Vendor and the Purchaser shall reimburse the Vendor the costs within fourteen (14) business days from the date the Purchaser extracts the issue document of title from the relevant land registry showing that the Purchaser has been registered as the legal and beneficial proprietor of the Land.

(ii) In relation to the costs of the application for the Consent for Variation, the Purchaser shall only be liable to reimburse the Vendor a sum not exceeding RM50,000,000. Any additional cost incurred in excess of the aforesaid RM50,000,000 in obtaining the Consent for Variation shall be borne by the Vendor.

(iii) Notwithstanding Section 2.6(C) (II) (ii) above, if:-

(a) the Vendor has successfully obtained the approval from the relevant authority to approve the undertaking of the Development on the Land with plot ratio exceeding 1:4; and

(b) in relation to Section 2.6(C)(II)(iii)(a) above, the cost for application for Consent for Variation exceeds RM50,000,000,

both the Vendor and Purchaser shall mutually agree on the cost in excess RM50,000,000 that may be required to be reimbursed by the Purchaser to the Vendor for application for the Consent for Variation.

(D) Payment of Balance Sum

(i) The Purchaser shall pay the balance of the Purchase Price of RM125,000,000 only (“Balance Sum”) to the Vendor in the manner as set out in the ensuing paragraphs.

(ii) The Purchaser shall pay to the Vendor the Balance Sum within three (3) months from the date all the Conditions Precedent are fulfilled ("Completion Period"), subject to the Vendor having created the Debenture (as defined hereinafter) in favour of the Purchaser and delivered to the Purchaser the Debenture Undertaking (as defined hereinafter) and Auditor's Certificate (as defined hereinafter).

(iii) If the Purchaser fails to pay the Balance Sum in full within the Completion Period, the Purchaser shall automatically be entitled to an extension of one (1) month from the last day of the Completion Period ("Extended Completion Period") to pay the Balance Sum or any remaining sum outstanding PROVIDED ALWAYS THAT if the payment of the Balance Sum or any remaining sum outstanding is made during the Extended Completion Period, the Purchaser shall pay to the Vendor interest ("Late Payment Interest") on the Balance Sum or on any remaining sum outstanding at the rate of eight percent (8%) per annum calculated on daily rests for the period immediately after the expiry of the Completion Period until the date the Balance Sum is fully paid by the Purchaser.

(E) Security

(i) The Vendor shall, immediately upon the fulfilment of the Conditions Precedent, in any event before the Purchaser pays the Balance Sum to the Vendor:-

(a) create a debenture over all its assets, including assigning by way of charge all rights in the TGSB Agreement in favour of the Purchaser to claim for refund of all monies paid to the Registered Proprietor under the TGSB Agreement, by way of first fixed charge ("Debenture") in favour of the Purchaser as security for the indemnity and refund of all sums to the Purchaser under the SPA, including the Balance Sum; and

(b) issue and deliver an undertaking in favour of the Purchaser ("Debenture Undertaking"), irrevocably undertaking that from the date all Conditions Precedent stated in the SPA having been fulfilled until the date the Debenture is revoked, the Net Tangible Assets of the Vendor shall at all time not fall below:-

(aa) RM126,000,000;

(bb) All costs and expenses to be reimbursed by the Purchaser to the Vendor under the SPA;

(cc) All sums claim, cost or penalty which the Vendor is liable to indemnify the Purchaser under the SPA; and

(dd) All sums refundable by the Vendor to the Purchaser under the SPA.

(c) procure an independent auditor to certify that the net tangible assets of the Vendor as at the date all the Conditions Precedent are fulfilled shall not be less than RM126,000,000 ("Auditor's Certificate"), and shall deliver the Auditor's Certificate to the Purchaser.

(F) Variation of Express Condition Endorsed on the Document of Title to the Land

The Purchaser shall be entitled at any time after having received the original issue document of title from the Vendor, subject to the payment of premium and other charges to the relevant authority, present the original issue document of title to the Land to the relevant land office or land registry to endorse the variation of the express condition as approved by the State Authority on the document of title to the Land.

(G) Reimbursement of Costs

The Parties hereto agree that the Purchaser shall only be responsible to reimburse the following costs to the Vendor:-

(i) All costs and expenses for making the necessary applications to obtain the Consent 1 and Consent 2;

(ii) All costs and expenses for making the necessary applications to obtain the Consent for Variation, which subject to Section 2.6(C) (II) (iii) above, the Purchaser shall only reimburse the Vendor the cost for making the application for the Consent for Variation up to a sum not exceeding RM50,000,000;

(iii) All outgoings costs incurred by the Vendor in respect of the Land;

(iv) The stamp duty payable on TGSB MOT (as defined hereinafter) and registration fee for the transfer of the Land in the name of the Vendor;

(v) The stamp duty payable on the Debenture, registration fee for registering the power of attorney as contained in the Debenture with the High Court of Malaya and filing fee for filing all relevant forms under the Act with the Companies Commission of Malaysia,

and the Purchaser shall not be obliged to reimburse any other costs to the Vendor.

2.7. Sources of Funding

The Company intends to fund the Proposed Acquisition (inclusive of the reimbursement of up to RM50,000,000 as per Section 2.6(C)(II)(iii)) from internally generated funds and estimated bank borrowings of approximately RM120,000,000. The exact proportion of funding for the Purchase Consideration will be evaluated and decided by the Board at a later stage.

2.8. Liabilities to be Assumed

CMD will not assume any other liabilities, including contingent liability and guarantee arising from the Proposed Acquisition.

3. RATIONALE OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the overall strategy of Titijaya and its subsidiaries ("Titijaya Group" or "Group") to acquire land banks for potential development in strategic locations with high development value. The Proposed Acquisition augurs well with the Group's strategy to expand and establish its footprint outside Klang Valley to other states of Malaysia and would position the Group as an upcoming property developer in Penang.

The Group intends to develop a residential and commercial project on the Land. At this juncture, it is too preliminary to ascertain the exact product mix, total costs to complete the intended project, expected completion date or estimated profits to be derived as the development plan of the Land is pending finalization. Nevertheless, given the strategic location of the Land and barring any unforeseen circumstances, the Board is confident that based on preliminary market study, the contemplated residential and commercial project, when launched would contribute positively to the earnings of the Group. The estimated gross development value ("GDV") of the proposed development shall be approximately RM2.0 billion.

The Land is one of the few limited parcels of sizeable land with sea frontage that enjoy unobstructed view of the newly launched Penang Second Bridge which was opened to the public on 1 March 2014. The immediate surroundings of the Land are predominantly industrial and residential developments surrounded by several major commercial centers with easy access to amenities, shopping and entertainment destinations.

4. RISK FACTORS

The potential risk factors relating to the Proposed Acquisition, which may not be exhaustive, are as follows:

4.1. Non-completion of the Proposed Acquisition

Non-fulfillment of Conditions Precedent

If all terms and conditions of the SPA are not met by either parties, amongst others, Titijaya fails to secure the approval from its shareholders or relevant authorities, the Proposed Acquisition may be delayed or terminated. In such event, Titijaya's venture into property development in Penang Island may be delayed.

The management of the Group shall use its best endeavours to ensure every effort is made to obtain all necessary approvals, including from the shareholders in a timely manner for the Proposed Acquisition and to satisfy the condition precedent of the SPA. However, there is no assurance that any of the terms and conditions can be fulfilled by either parties to the SPA, hence the Proposed Acquisition would not be completed and all the potential benefits arising therefrom would not materialize.

Non-registration of Memorandum of Transfer

It is stated in the SPA that TGSB shall, within 14 working days from the date CMD pays the Balance Sum in accordance with the manner as prescribed in the SPA, procure and deliver to CMD:-

(a) the valid and registrable Memorandum of Transfer in respect of the Land executed by the Registered Proprietor in favour of TGSB ("TGSB MOT"); and

(b) the original issue document of title to the Land .

If the Registered Proprietor fails to execute the TGSB MOT in favour of TGSB and deliver the same together with the original issue document of title to the Land to TGSB, TGSB may not be entitled to seek for specific performance against the Registered Proprietor pursuant to the Government Proceedings Act 1956, as the Registered Proprietor is a statutory body incorporated pursuant to the federal law and of which is a public authority. Therefore, TGSB can only seek for a refund of the monies paid towards account of the purchase price under the TGSB Agreement. As a result, CMD will not be able to compel TGSB to complete the sale of the Land to CMB under these circumstances.

In the event that the TGSB MOT or MOT or both are rejected from registration, TGSB shall rectify and procure the Registered Proprietor to rectify the defect within 14 days or such time as may be necessary, failing which TGSB shall on written notification by the Purchaser's Solicitors within 14 days thereof refund to CMD all monies paid by CMD.

As a mitigating factor to prohibit the Registered Proprietor from disposing of the Land to any third party, entry of the Private Caveat on the Land by TGSB is a condition precedent to the sale and purchase of the Land between TGSB and CMD.

Further, as a mitigating factor to recover the refund of the Purchase Consideration paid under the SPA, the SPA has also stated that TGSB shall create the Debenture in favour of CMD by way of first fixed charge, namely charging all of its assets to CMD, including assigning by way of charge all rights in the TGSB Agreement in favour of CMD to claim for refund of all monies paid to the Registered Proprietor under the TGSB Agreement. The Debenture gives CMD the rights to seek for the abovementioned refund from the Registered Proprietor.

Further, TGSB shall also before CMD paying the Balance Sum to TGSB, deliver the Debenture Undertaking and Auditor's Certificate to CMD.

4.2. Completion and Delay in Completion of the development project

There is always a potential risk that the returns from the development project to be undertaken by the Group may have a longer payback period than expected or the investment in the development project may not generate the expected rate of return due to various factors including, inter-alia, increase in development and/or construction costs, unavailability of skilled manpower, delay in completion of the development project and obtaining approvals from the relevant authorities for the development, securing adequate funding for the development project and a ready market would be available for the developed properties in the future. Adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which can consequently result in cost overruns and affect the profitability and cash flow of the Group.

Although the Group will mitigate its investment risks by exercising due care in the evaluation of its investments and continuously review and evaluate market conditions, the work in progress of the development project and cash flows, there can be no assurance that the development project on the Land or other development projects to be undertaken in the future will yield the targeted returns to the Group, completed as planned and such challenges would have an adverse material impact on the Group's future financial performance.

4.3. Financing Risks

The incurrence of debt to finance acquisition of the Land for development will result in new interest / principal servicing obligations of the Group. Besides increasing the gearing level, new bank borrowings incurred could result in operating and financial covenants being imposed that could restrict, to a certain extent, its operations and its ability to pay dividends to its shareholders.

In mitigating such risks, the Group will actively review its debt portfolio taking into account the level, structure and nature of borrowings and seek to adopt appropriate cost effective and optimal mix of financing options. While every effort is taken to ensure that no adverse effects would arise from the interest / principal servicing commitments, there is no assurance that it will not have any material impact on the Group's financial performance in the future. Nevertheless, the Group will be able to reduce the gearing level via future earnings and cash flows to be generated from development projects in the future.

4.4. Valuation of the Land

The valuation of the Land by the Valuer is based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from the actual measures of the market. In addition, land valuations generally, and the valuation conducted by the Valuer in particular, include a subjective determination of certain factors relating to the Land, such as their relative market position, financial and competitive strengths, location and physical condition. Accordingly, there can be no assurance that the assumptions are accurate measures of the market or that the Land was measured accurately. Further, the appraised value of a land is not an indication of, and does not guarantee, a sale price at that value at present or in the future. Should the Group decides to sell the Land, the price at which the Group may realize from the sale of the Land or any portion thereof may be lower than the appraised value or the initial acquisition price of the Land.

4.5. No assurance on the realization of the anticipated benefits

There can be no assurance that the anticipated benefits of the Proposed Acquisition will be realized or that the Group would be able to generate sufficient future revenue to offset the associated acquisition costs of the Land. As such, the Group will seek to mitigate such risk by adopting prudent risk management and monitoring of the development strategy.

4.6. Cost of material 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. In addition, the imminent implementation of Goods and Services Tax ("GST") in April 2015 will lead to an overall increase in the cost of 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, Titijaya has considered such costs fluctuation when the Company embark 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.

4.7. Competition

Titijaya's business faces competition from various property developers. The property development market is highly competitive and any oversupply of properties due to a mismatch in supply and demand will intensify the level of competition which may, amongst others, affect pricing.

Titijaya has branding and an established track record. It will continue to take measures to address the competition risk such as conducting market intelligence surveys, monitoring and adjusting development and innovative marketing strategies in response to changing economic conditions and market demand.

4.8. Sensitivity to economic downturn and oversupply in the property market

The demand for properties is dependent on the general economic, business and credit conditions as well as the availability of supply in the market. Whilst the Board believes that it is possible to address any fluctuations in the demand for properties by meticulous planning in terms of innovative design, timing of launch, right type of products/segment and pricing points relative to competitors, there can be no assurance that the proposed development of the Land will be shielded from any adverse downturn in the economy. The Group will leverage on its strength and experience as a property developer to manage these risks closely.

4.9 Political, Economic and Regulatory Considerations

Adverse changes in political, economic and regulatory conditions in Malaysia could materially affect the financial and prospects of the property development business. Amongst the political, economic and regulatory uncertainties are the changes in the risks of economic downturn, unfavourable monetary and fiscal policy changes, exchange control regulations or introductions of new rules or regulations affecting the property development industry, changes in interest rates, inflation, taxation method, general employment outlook and political leadership.

In mitigating such risks, the Group will continue to review its business development strategies in response to the changes in political, monetary, fiscal and economic conditions. Nonetheless, no assurance can be given that any change to these factors would not have any material adverse impact on the Group's business in the future.

4.10. Compulsory Acquisitions by the Government

Under the Land Acquisition Act 1960, the Ruler or Governor of the State has the power to acquire any land, whether in whole or in part, which is needed:-

(a) for any public purpose;

(b) by any person or corporation for any purpose which in the opinion of the State Authority is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; or

(c) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purposes.

The amount of compensation awarded may be less than the market price of the Land if they were sold in the open market.

5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

5.1. Overview and Outlook of the Malaysian Economy

The Malaysian economy registered a growth of 5.1% in the fourth quarter of 2013 (3Q 2013: 5.0%). Growth was supported by private sector demand and improvement in exports. Public sector spending, however, moderated. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 2.1% (3Q 2013: 1.7%). For the year 2013, the Malaysian economy grew by 4.7%.

The Overnight Policy Rate ("OPR") was maintained at 3.00% during the fourth quarter of 2013. At the prevailing level of the OPR, monetary conditions remain highly supportive of economic activity.

Going forward, the global economy is expected to be on path of moderate recovery. The sustained improvements in the advanced economies will be a positive impulse for international trade. However, ongoing uncertainties surrounding monetary and fiscal policy adjustments in the advanced economies remain a risk to growth. Growth in the Asian economies is expected to be supported by improving external conditions amid moderating domestic demand.

For the Malaysian economy, domestic demand will remain supportive of growth. While domestic demand is expected to moderate following the ongoing fiscal consolidation, the external sector is expected to benefit from the improving global conditions. The growth momentum is therefore expected to remain on a steady trajectory.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2013, Bank Negara Malaysia)

The Malaysian economy is expected to expand further by 5% - 5.5% in 2014 (2013: 4.5% - 5%), supported by favourable domestic demand and an improving external environment. Growth will be private-led, supported by strong private capital spending while private consumption continues to remain resilient. Although some degree of uncertainty exists in the global environment due to the volatility of capital flows associated with the possibility of reduced global liquidity, Malaysia's external sector is expected to improve. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities which is evident in the second half of 2013. The better outlook of Malaysia's external sector is premised upon China's real GDP growth, which is expected to be sustained at around 7.5%, while global trade will continue to grow at a steady pace of 5% in 2014.

Growth in the construction sector is projected to increase at a moderate pace of 9.6% in 2014 (2013: 10.6%) due to slower construction activity in the civil engineering subsector following the completion of several major infrastructure projects. However, the acceleration in implementation of transport and oil and gas related civil engineering projects will continue to support growth. Meanwhile, the residential subsector is expected to remain strong in view of the increased demand for housing, particularly from the middle-income group. The implementation of PR1MA housing project, is expected to accelerate to meet the target of providing 80,000 units of houses for the middle-income group by 2015. Activity in the non-residential subsector is expected to remain stable, albeit at a moderate pace, supported by buoyant business and industrial activities as well as improved consumer sentiment.

(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)

5.2. Overview and Outlook of the Property Development Industry in Penang

In the domestic property market, house prices remained elevated during the year and an area that warrants continuous close monitoring in view of the effect of higher house prices on overall household debt and the significant exposure of banking institutions to the property market. The upward pressure on house prices continue to be largely explained by structural supply and demand factors, with demand particularly for low- to mid-priced homes likely to continue to outstrip supply in the near to medium term. Speculative purchases in the property market which are financed from bank borrowings have continued to remain subdued, particularly following further measures by the government to raise the entry costs for short-term speculative purchases, and improve transparency in property prices. The effect of these measures should contribute towards encouraging more realistic valuations. Whilst prices of residential properties continued to increase at a strong pace, risks to household finances and financial stability from any market correction are mitigated by the limited borrowings to finance speculative purchases and the strengthened lending practices of banks.

(Source: Financial Stability and Payment Systems Report 2013, Bank Negara Malaysia)

Affordable houses priced below RM500,000 sustained its popularity, evident from the 88.5% representation of total residential transactions. Houses within the price range of RM250,000 to RM500,000 formed the largest portion, accounting for 21.6% (25,729 units) of the total, followed by units priced between RM150,001 to RM200,000 (17,000 units). Demand for high end units priced above RM500,000 remained steady forming 11.5% of total residential transactions.

In Penang, prices of residential property were generally stable with uptrend recorded in established schemes. On the island, prices of single storey terrace in Timur Laut were transacted between RM575,000 and RM1.10 million. Similar units in Bayan Baru charted good gains of 10.0% at RM455,000 to RM460,000. Double storey terraces on the island were generally stable with exception in Island Glades and Island Park which enjoyed price increases between 3.8% and 4.3% respectively to record at RM800,000 to RM990,000.The highest price of similar units recorded in Medan Maktab, transacted at RM1.30 million. On the mainland in Seberang Perai Tengah and Seberang Perai Selatan, upward movements were noted in selected schemes. Single storey terrace in Taman Inderawasih and Taman Seri Rambai recorded double-digit growths of 13.9%to 17.1% due to the locations nearby city centre. Similar units in Bandar Tasek Mutiara increased by 5.5% to 13.3% transacted at RM138,000 to RM153,000.

Condominiums units in Sri Suajaya and Gurney Heights, also showed significant increases of 19.0% and 18.1% respectively at prices between RM230,000 and RM418,000. Other notable increases were Menara Seputeh and Robson Condo by 40.3% and 19.9% respectively at prices between RM348,000 and RM663,000 per unit.

In Penang, prices of stratified housing strengthened especially on the island. Prices of flat with three bedrooms in Azuria Condo witnessed a higher gains of 30.7%, fetching atRM255,000 to RM280,000 due to its proximity to Tun Abdul Rahman (TAR) College and Tanjung Bungah City. Double digit growths of similar property were recorded in Desa Green, Sri Impian, Taman Bukit Jambul, Desa Permata and Taman Seri Sari (Sunshine Garden), between 14.2% and 24.2%. Prices of similar units in Jade View, increased significantly by 18.7% at the prices range between RM185,000 and RM240,000,influenced by strong demand from students and staff of University Science Malaysia (USM). N-Park apartment also located nearby USM saw significant increase of 16.7%, transacted at RM300,000 to RM320,000. Similar units in E-Park, Pantai Miami-Miami Green Resort and Penang Time Square-Birch Regency witnessed double digit growths of 12.0%, 13.0% and 13.4% respectively. Similar pattern of value appreciations were seen in Villa Emas, Pearl Garden, Springfield Condominium and Pearl Garden which grew from 12.0% to 17.6% supported by various neighbourhood attractions such as Queensbay Mall and Bayan Baru. Condominiums in Marina Bay continued to enjoy price increased by26.6% transacted between RM580,000 and RM645,000.

Penang registered stable rental market on the whole. Single storey terrace in Timur laut District firmed at RM550 to RM1,300 per month. Double storey terrace in Island Park continued to enjoy 16.0% rental growth at RM1,300 to RM1,600 per month. Likewise, Bayan Baru and Taman Sri Nibong recorded modest growth of 19.0% and 18.0% respectively. Rentals of high-rise portrayed similar stable trend with increases recorded in selected schemes. Rentals of flat with three bedrooms in Taman Sri Aman were up by 12.1% at RM600 to RM650 per month. Other notable increases were recorded in Desa Permata, Harmony View, Azuria Condo and Casa Impian between 5.3%and 8.0%. In Timur Laut Leader Garden and Midlands Condo recorded double digit growths in rental by 11.6% and 16.5% respectively to register monthly rentals between RM1,000 and RM1,600 per month. Gurney Villa recorded the highest rental between RM2,500 to RM2,700 per month.

In Penang, prices of double storey pre war shop in Lebuh Campbell saw marginal increase by 8.3% with price recorded RM1.20 million. Meanwhile, double storey terraces in Taman Chai Leng, Seberang Perai Tengah noted an increase of 10.0% transacted betweenRM530,000 and RM550,000 whilst prices of three storey shops in Barat Daya remained stable at RM2.25 million to RM2.41 million.

(Source: Property Market Report First Half 2013,Valuation and Property Services Department, Ministry of Finance)

5.3. Prospects of the Land

The management of Titijaya is of the view that the demand for residential property in Penang is expected to remain favourable among local and foreign buyers. Notwithstanding, the right type of property offering at the right price level is crucial for the success of a development project. Towards this end, the Group will be undertaking careful market survey and analysis prior to finalizing the development plan of the Land.

Given the positive outlook of the Malaysian economy and the overall property market in Penang as disclosed in Sections 5.1 and 5.2 above, the management of Titijaya expects that the Group would be able to capitalize on such positive economic outlook and demand condition. Barring any unforeseen circumstances which may have an adverse impact on demand condition for residential properties, the management is upbeat that the future development of the Land will contribute positively to the Group's future financial performance.

6. EFFECTS OF THE PROPOSED ACQUISITION

The proforma effects of the Proposed Acquisition are set out in the ensuing paragraphs.

6.1. Issued and Paid-up Share Capital

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of Titijaya as it does not involve the issuance of new ordinary shares in Titijaya.

6.2. NA and Gearing

The proforma effects of the Proposed Acquisition on the NA and gearing of the Group are as follows:

Group Level	**Audited as at 30 June 2013**	**(a) Adjusted for completed events**	**(b) After the Proposed Acquisition**
	RM'000	**RM'000**	**RM'000**
Share capital	129,148	170,000	170,000
Redeemable Convertible Preference Shares ("RCPS") - equity component	12,388	12,388	12,388
Reserve arising from reverse acquisition	(47,426)	(47,426)	(47,426)
Share premium	-	78,840	78,840
Retained earnings	107,013	107,013	107,013
Shareholder's equity / NA	201,123	320,815	320,815
No of ordinary shares in issue ('000)	258,295	340,000	340,000
NA per share (RM)	0.78	0.94	0.94
Total borrowings (RM'000)	73,725	129,799	249,799
Gearing (times)	0.37	0.40	0.78

Notes:

(a) Adjusted for the following:

(i) The listing of and quotation for the Company's enlarged issued and paid-up share capital of RM170,000,000 comprising 340,000,000 ordinary shares of RM0.50 each on the Main Market of Bursa Securities which took placed on 27 November 2013.

(ii) Completion of the acquisition of land held under Title No. HS(D) 112756, Lot PT 1424, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.

(iii) Increase in bank borrowings of RM83.1 million for acquisition of land and repayment of borrowings of RM27.0 million.

(b) Assuming bank borrowings of RM120.0 million in relation to the Proposed Acquisition.

6.3. Substantial Shareholders' Shareholdings

The Proposed Acquisition will not have any effect on the shareholdings of the substantial shareholders of Titijaya.

6.4. Earnings and Earnings per Share ("EPS")

The Proposed Acquisition is not expected to have any material effect on the EPS for the financial year ending ("FYE") 30 June 2014 as the Proposed Acquisition is only expected to be completed by 4th quarter of 2014.

Nevertheless, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group as and when the proposed development comes on-stream.

6.5. Convertible Securities

The Proposed Acquisition is not expected to have any effect on the existing unlisted 100,000,000 RCPS as the Proposed Acquisition is to be fully settled in cash.

7. INTER-CONDITIONALITY OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any other corporate exercises undertaken or to be undertaken by Titijaya.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to and conditional upon approvals being obtained from the following:

(i) The shareholders of Titijaya at an extraordinary general meeting ("EGM") to be convened; and

(ii) Any other relevant parties, if required.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors and/or major shareholders of Titijaya and/or persons connected to them have any interest, either direct or indirect, in the Proposed Acquisition.

Tan Sri Dato' Lim Soon Peng, Lim Poh Yit and Lim Puay Fung are directors and major shareholders of Titijaya. They are also directors and shareholders of TGSB. As such, they are deemed interested in the Proposed Acquisition ("Interested Directors").

Accordingly, Tan Sri Dato' Lim Soon Peng, Lim Poh Yit and Lim Puay Fung will continue to abstain from deliberating and voting at the Board meetings and the EGM of Titijaya pertaining to the Proposed Acquisition. In addition, they have undertaken to ensure that persons connected to them will abstain from voting in respect of their direct/indirect shareholdings in Titijaya, if any, on resolutions to give effect to the Proposed Acquisition to be tabled at the EGM to be convened.

The direct and indirect interests of the Interested Directors in respect of the Proposed Acquisition as at LPD are as follows:

	Direct No. of shares ('000)	%	Indirect No. of shares ('000)	%
TGSB	208,795	61.41	-	-
Tan Sri Dato' Lim Soon Peng	280	0.08	208,795[(1)]	61.41
Lim Poh Yit	355	0.10	208,795[(1)]	61.41
Lim Puay Fung	245	0.07	208,795[(1)]	61.41

Note:

(1) Deemed interested by virtue of their shareholdings in TGSB.

10. PRINCIPAL ADVISER

TA Securities Holdings Berhad has been appointed by the Company to act as the Adviser for the Proposed Acquisition.

11. INDEPENDENT ADVISER

In view of the interests of the Interested Directors as set out in Section 9 above, the Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements. Accordingly, KAF Investment Bank Berhad has been appointed to act as the Independent Adviser to undertake the following:

(i) Comment whether the Proposed Acquisition is fair and reasonable insofar as the non-interested shareholders of Titijaya are concerned;

(ii) Comment whether the Proposed Acquisition is detrimental to the non-interested shareholders of Titijaya; and

(iii) Advise the non-interested shareholders of Titijaya whether they should vote in favour of the resolution pertaining to the Proposed Acquisition at the EGM to be convened.

12. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), after having considered all aspects of the Proposed Acquisition and after careful deliberation, is of the opinion that the Proposed Acquisition is in the best interest of Titijaya and the Proposed Acquisition is fair and reasonable and not detrimental to the interest of the non-interested shareholders of the Company.

The view of the Board (save for the Interested Directors) was arrived at after having considered, inter-alia, the terms and conditions of the SPA, the rationale for the Proposed Acquisition, prospects of the Land, the effects of the Proposed Acquisition on the Group and the advice of the Independent Adviser.

In addition, the view of the Board (save for the Interested Directors) was also arrived at after taking into consideration of the fact that the market value of the Land as appraised by the Valuer.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after taking into consideration the advice of the Independent Adviser and the legal counsel and having considered all other relevant aspects, such as rationale, salient terms of the SPA, risk factors and mitigating measures and overview and prospects of the property development industry, is of the opinion that the Proposed Acquisition is:

(i) in the best interest of the Company;

(ii) fair, reasonable and is not detrimental to the interest of the non-interested shareholders of the Company; and

(iii) on normal commercial terms.

The view of the Audit Committee was arrived at after having considered, inter-alia, the terms and conditions of the SPA, the rationale for the Proposed Acquisition, prospects of the Land, the effects of the Proposed Acquisition on the Group and the advice of the Independent Adviser.

In addition, the view of the Audit Committee was also arrived at after taking into consideration of the fact that the market value of the Land was appraised by the Valuer.

14. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITION PURSUANT TO PARAGRAPH 10.02(G) OF THE LISTING REQUIREMENTS

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is 62.65%, computed based on the Purchase Consideration as compared to the audited consolidated NA of Titijaya as at 30 June 2013.

15. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING TWELVE (12) MONTHS

There are no other transactions with the same related party for the preceding twelve (12) months prior to the date of this announcement.

16. ESTIMATED TIMEFRAME FOR THE PROPOSED ACQUISITION

Barring any unforeseen circumstances and subject to the fulfilment of the conditions precedent as set out in the SPA, the Proposed Acquisition is expected to be completed by the 4^{th} quarter of 2014.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA and the Certificate of Valuation, will be available for inspection at the office of Titijaya at N-16-01, Penthouse, Level 16, First Subang, Jalan SS15/4G, 47500 Subang Jaya, Selangor during normal business hours from Monday to Friday (except state public holidays) for a period of three (3) months from the date of this Announcement.

An announcement will be made upon submission of Valuation Report to Bursa Malaysia Securities Berhad and the said Valuation Report will be made available for inspection.

This announcement is dated 21 May 2014.