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**AMALGAMATED INDUSTRIAL STEEL BERHAD**

(Company No. 9118-M)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED DISPOSAL BY THE COMPANY OF ALL OF THE TWO (2) ADJOINING CONTIGUOUS DETACHED INDUSTRIAL LOTS HELD UNDER TITLE NOS. HSD 167540, PT -, LOCALITY OF TAPAK PERUSAHAAN AT SHAH ALAM, MUKIM OF DAMANSARA AND HSD 168507, PT -, TOWN OF SHAH ALAM, ALL IN DISTRICT OF PETALING, STATE OF SELANGOR DARUL EHSAN WITH AREAS MEASURING APPROXIMATELY 40,283 SQUARE METRES (433,602 SQUARE FEET) IN TOTAL TOGETHER WITH THREE (3) BLOCKS OF SINGLE STOREY DETACHED FACTORIES, A FOUR (4) STOREY OFFICE BUILDING, A SINGLE STOREY CANTEEN/STORE AND A GUARD HOUSE ERECTED THEREON WITH A TOTAL BUILT UP AREA MEASURING APPROXIMATELY 24,157.60 SQUARE METRES (260,030 SQUARE FEET) BEARING POSTAL ADDRESS OF LOT 11A, JALAN UTAS 15/7, SEKSYEN 15, 40000 SHAH ALAM, SELANGOR DARUL EHSAN TO DAIKIN MALAYSIA SDN BHD (FORMERLY KNOWN AS O.Y.L. MANUFACTURING COMPANY SDN BHD) FOR A TOTAL DISPOSAL PRICE OF RINGGIT MALAYSIA SIXTY-NINE MILLION FIVE HUNDRED THOUSAND (RM69,500,000) ONLY**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

The above proposal will be tabled at an Extraordinary General Meeting ("EGM") of Amalgamated Industrial Steel Berhad ("AISB" or "the Company"). Notice of the EGM of the Company together with the Form of Proxy are set out in this Circular.

Should you be unable to attend the EGM, you are requested to complete the Form of Proxy for the EGM and deposit it at the Registered Office of the Company at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 21 November 2016 at 10.30 a.m.

Date and time of the EGM : Wednesday, 23 November 2016 at 10.30 a.m.

Venue of the EGM : Lot 11A, Jalan Utas 15/7, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

<b>Act</b>	:	Companies Act, 1965 of Malaysia and any amendments made thereto from time to time
<b>Agreement or SPA</b>	:	The Sale and Purchase Agreement dated 26 August 2016 entered into between Amalgamated Industrial Steel Berhad (Company No. 9118-M) with Daikin Malaysia Sdn. Bhd. (formerly known as O.Y.L. Manufacturing Company Sdn. Bhd.) (Company No. 112531-W) (“DMSB” or “the Purchaser”) to dispose of all of the two (2) adjoining contiguous detached industrial lots held under title nos. HSD 167540, PT -, Locality of Tapak Perusahaan at Shah Alam, Mukim of Damansara and HSD 168507, PT -, Town of Shah Alam, All in District of Petaling, State of Selangor Darul Ehsan with areas measuring approximately 40,283 square metres (433,602 square feet) in total together with three (3) blocks of single storey detached factories, a four (4) storey office building, a single storey canteen / store and a guard house erected thereon measuring approximately 24,157.60 square metres (260,030 square feet) bearing postal address of Lot 11A, Jalan Utas 15/7, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan for a total disposal price of Ringgit Malaysia Sixty-Nine Million Five Hundred Thousand (RM69,500,000) only
<b>AISB or Company or the Vendor</b>	:	Amalgamated Industrial Steel Berhad (9118-M)
<b>AISB Group or Group</b>	:	AISB and all its subsidiaries, collectively
<b>AISB Share(s)</b>	:	Ordinary shares of RM0.10 each
<b>Board</b>	:	The Board of Directors of AISB
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (635998-W)
<b>Circular</b>	:	This circular to the shareholders of AISB dated 4 November 2016 in relation to the Proposed Disposal
<b>Completion Date</b>	:	means the date on which the Balance Purchase Price together with Late Payment Interest as defined herein (if any) has/have been paid by the Purchaser and deposited with the Vendor’s Solicitors as stakeholders in accordance with the SPA
<b>Completion Period</b>	:	means a period of three (3) months from the Unconditional Date or a period expiring on the Delivery Date, whichever is the later
<b>DMSB or the Purchaser</b>	:	Daikin Malaysia Sdn Bhd (formerly known as O.Y.L. Manufacturing Company Sdn Bhd) (112531-W)

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**DEFINITIONS (cont'd)**

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<b>Delivery Date</b>	:	means the date on which the Vendor shall deliver the vacant possession of the Property to the Purchaser that is on 1 July 2017
<b>Disposal Price</b>	:	Ringgit Malaysia Sixty-Nine Million Five Hundred Thousand (RM69,500,000) Only
<b>EGM</b>	:	Extraordinary General Meeting
<b>EPS</b>	:	Earnings per Share
<b>FPE</b>	:	Financial period ended/ending
<b>FYE</b>	:	Financial year ended/ending
<b>Listing Requirements</b>	:	The Main Market Listing Requirements of Bursa Securities, including any amendments to the same that may be made from time to time
<b>LPS</b>	:	Loss per Share
<b>LPD</b>	:	17 October 2016, being the latest practicable date prior to the printing of this Circular
<b>Maybank or Vendor's Financier</b>	:	Maybank Trustees Berhad (5004-P)
<b>NA</b>	:	Net assets
<b>NBV</b>	:	Net book value
<b>PAT</b>	:	Profit after taxation
<b>Property</b>	:	All of the two (2) adjoining contiguous detached industrial lots held under title nos. HSD 167540, PT -, Locality of Tapak Perusahaan at Shah Alam, Mukim of Damansara and HSD 168507, PT -, Town of Shah Alam, All in District of Petaling, State of Selangor Darul Ehsan with areas measuring approximately 40,283 square metres (433,602 square feet) in total together with three (3) blocks of single storey detached factories, a four (4) storey office building, a single storey canteen / store and a guard house erected thereon with a total built up area measuring approximately 24,157.60 square metres (260,030 square feet) bearing postal address of Lot 11A, Jalan Utas 15/7, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan
<b>Proposed Disposal</b>	:	Proposed disposal by AISB of the Property at the Disposal Price
<b>Redemption Sum</b>	:	means the sum payable to the Vendor's Financier sufficient to redeem the Property from the Vendor's Financier
<b>RM and sen</b>	:	Ringgit Malaysia and sen, respectively
<b>RPGT</b>	:	Real Property Gain Tax

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**DEFINITIONS (cont'd)**

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<b>Shareholders' Approval</b>	:	Obtaining the approval of the shareholders of AISB for the Proposed Disposal
<b>State or State Authority</b>	:	The Selangor Darul Ehsan State Authority
<b>Sq m</b>	:	Square metres
<b>Sq ft</b>	:	Square foot or Square feet
<b>State Consent</b>	:	Consent of the State Authority to the transfer of the Property to the Purchaser
<b>Unconditional Date</b>	:	The date when all the Conditions Precedent are fulfilled more particularly spelt out under the SPA or under section 2.6 in this Circular
<b>Valuation Report</b>	:	Valuation report dated 18 July 2016 as prepared by the Valuer
<b>Valuer</b>	:	Raine & Horne International Zaki + Partners Sdn. Bhd., being the independent registered valuer  The Valuer was appointed on 29 June 2016
<b>Vendor's Solicitors</b>	:	Messrs. Foong & Partners of 13-1, Menara 1MK, Kompleks 1 Mont' Kiara, No 1 Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur, Malaysia

*Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.*

*Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations, unless otherwise specified.*

*Any discrepancies in the tables included in this Circular between the amount listed, actual figures and the totals thereof are due to rounding.*

*All reference to "you" in this Circular are to the shareholders of AISB.*

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**NOTICE OF EGM**  
**FORM OF PROXY**

**ENCLOSED**  
**ENCLOSED**



## **AMALGAMATED INDUSTRIAL STEEL BERHAD**

(Company No. 9118-M)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**  
Lot 11A, Jalan Utas 15/7  
40000 Shah Alam, Selangor Darul Ehsan

4 November 2016

### **Board of Directors:**

Dato' Ghazali Bin Mat Ariff (*Chairman, Independent Non-Executive Director*)  
Encik Sulaiman Bin Salleh (*Senior Independent Non-Executive Director*)  
Tuan Haji Fauzi Bin Mustapha (*Independent Non-Executive Director*)  
Dato' Lim Yew Boon (*Executive Director*)  
Mr Lim Chin Sean (*Non-Independent Non-Executive Director*)  
Dr Goh Swee Por (*Alternate Director to Mr Lim Chin Sean*)

**To: The Shareholders of Amalgamated Industrial Steel Berhad**

Dear Sir/ Madam,

**PROPOSED DISPOSAL BY THE COMPANY OF ALL OF THE TWO (2) ADJOINING CONTIGUOUS DETACHED INDUSTRIAL LOTS HELD UNDER TITLE NOS. HSD 167540, PT -, LOCALITY OF TAPAK PERUSAHAAN AT SHAH ALAM, MUKIM OF DAMANSARA AND HSD 168507, PT -, TOWN OF SHAH ALAM, ALL IN DISTRICT OF PETALING, STATE OF SELANGOR DARUL EHSAN WITH AREAS MEASURING APPROXIMATELY 40,283 SQUARE METRES (433,602 SQUARE FEET) IN TOTAL TOGETHER WITH THREE (3) BLOCKS OF SINGLE STOREY DETACHED FACTORIES, A FOUR (4) STOREY OFFICE BUILDING, A SINGLE STOREY CANTEEN/STORE AND A GUARD HOUSE ERECTED THEREON WITH A TOTAL BUILT UP AREA MEASURING APPROXIMATELY 24,157.60 SQUARE METRES (260,030 SQUARE FEET) BEARING POSTAL ADDRESS OF LOT 11A, JALAN UTAS 15/7, SEKSYEN 15, 40000 SHAH ALAM, SELANGOR DARUL EHSAN TO DAIKIN MALAYSIA SDN BHD (FORMERLY KNOWN AS O.Y.L. MANUFACTURING COMPANY SDN BHD) FOR A TOTAL DISPOSAL PRICE OF RINGGIT MALAYSIA SIXTY-NINE MILLION FIVE HUNDRED THOUSAND (RM69,500,000) ONLY**

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### **1. INTRODUCTION**

On 26 August 2016, the Board announced to Bursa Securities that AISB had, on 26 August 2016, entered into a SPA with DMSB for the Proposed Disposal of the Property to DMSB for a total consideration of RM69,500,000 only.

The purpose of this Circular is to provide you with the details and information pertaining to the Proposed Disposal and to seek your approval on the ordinary resolution to be tabled at the forthcoming EGM of the Company. The Notice of EGM together with the Form of Proxy are enclosed in this Circular.

**SHAREHOLDERS OF AISB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AT THE FORTHCOMING EGM.**

## **2. THE PROPOSED DISPOSAL**

### **2.1 Details of the Proposed Disposal**

The Proposed Disposal involves the disposal of the Property by AISB to DMSB at the Disposal Price.

### **2.2 Background Information on AISB and DMSB**

#### **2.2.1 Information on AISB**

AISB was incorporated in Malaysia on 20 November 1969 under the Act as a private limited company under the name of Amalgamated Industrial Steel (Sendirian) Berhad and was converted into a public limited company on 15 October 1974 under its present name. The principal activities of the Company are manufacturing and sale of mild steel pipes and trading of various steel-related products. AISB's registered and business address is at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan.

As part of the Company's corporate plan to diversify its business operation to broaden revenue, the Company had on 16 February 2015 embarked on property development activities.

The present authorised share capital of AISB is RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each of which 131,874,975 ordinary shares were issued and fully paid-up.

#### **2.2.2 Information on DMSB**

DMSB was incorporated in Malaysia on 4 January 1984 under the Act as a private limited company under the name of O.Y.L. Manufacturing Company Sdn. Bhd. Its business address is at Lot 60334, Persiaran Bukit Rahman Putra 3, Taman Perindustrian Bukit Rahman Putra, 47000 Sungai Buloh, Selangor whilst its registered address is at c/o American Air Filter Manufacturing Sdn. Bhd, Jalan Pengapit 15/19, 40000 Shah Alam, Selangor.

DMSB is a wholly-owned subsidiary of Daikin Industries, Ltd., Japan.

DMSB is principally involved in the business of investment holding and manufacturing and selling of single and multiple split air-conditioners, and packaging and manufacturing of air conditioning equipment.

The authorised share capital of DMSB is RM300,000,000 divided into 299,998,000 ordinary shares of RM1.00 each and 2,000 redeemable preference shares of RM1.00 each of which 276,254,567 ordinary shares as well as 2,000 redeemable preference shares of RM1.00 each were issued and fully-paid-up.

### **2.3 Disposal Price**

#### **2.3.1 Basis and Justification of Arriving at the Disposal Price**

The Property is sold on an "as is where is" basis with Disposal Price arrived at on a "willing buyer and willing seller" basis after having considered the following:

- (a) Market value of the Property of RM61,700,000 derived from the Cost Method with Investment Method as countercheck in formulating their opinion as set out in the Valuation Certificate under Appendix A to this Circular.
- (b) The negotiations between AISB and DMSB concluded at RM69,500,000 representing a premium of RM7,800,000 or approximately 12.64% to the current market value of the Property as reported by the Valuer.
- (c) Comparison of Property with similar properties at nearby locations that were sold recently. The characteristics, merits, and demerits of these properties are noted and appropriate adjustments thereof are then made to arrive at the market value of the Property. Please refer to the table depicting disposal of comparable properties under section 2.4.4.



- (d) The net book value of the following buildings erected on the two (2) pieces adjoining contiguous land.

No.	Building   Description	Cost of investment as at LPD (RM)	Fair Value as at LPD <sup>1</sup> (RM)	Audited NBV as at FYE 31 December 2015 (RM)	Age of building (years)	Build-up area (sq ft)
(a)	Three (3) units of Single Storey Detached Factories	8,780,386	61,700,000	47,108,428	35-45	238,966
(b)	Four (4) Storey Office Block				35	19,200
(c)	Single Storey Canteen/Store				45	1,600
(d)	Guard House				35	264

Note:

<sup>1</sup> The Fair Value as at LPD is the Market Value as reported in the Valuation Report.

### 2.3.2 Manner of Payment

The Disposal Price is also referred to as Purchase Price, particularly under this sub-section, and shall be settled by the Purchaser to the Vendor in the following manner:

No.	Description	Amount (RM)
(a)	Earnest deposit (together with all interest accrued thereon) shall be released by the Purchaser's Solicitors to the Vendor upon execution of the Agreement <sup>1</sup>	1,390,000
(b)	Balance deposit shall be payable by the Purchaser to the Vendor upon the execution of the Agreement	3,475,000
(c)	RPGT retention sum shall be payable by the Purchaser to the Purchaser's solicitors as stakeholder within 60 days from the date of the State Consent as stipulated in the Agreement	3,200,000
(d)	The balance purchase price shall be paid within Completion Period in the following manner:- (i) Firstly, a sum equivalent to the Redemption Sum of RM23,295,000 to be paid to the Vendor's Financier (payment to the Vendor's Financier shall be deemed payment to the Vendor); (ii) The balance purchase price less the Redemption Sum, shall be paid by the Purchaser to the Vendor's Solicitors as stakeholders within the Completion Period. and the Purchaser shall be granted and extended period to pay the balance purchase price, subject to late payment interest at the rate of eight per centum (8.0%) per annum on the unpaid portion of the balance purchase price outstanding on Completion Date.	61,435,000
<b>Purchase Price</b>		<b>69,500,000</b>

Note:

<sup>1</sup> The Earnest Deposit is refundable and paid prior to the execution of SPA to the Purchaser's Solicitors to hold as stakeholders.

## 2.4 Information on the Property

### 2.4.1 The Land

The subject site comprises two adjoining contiguous detached lots that are PT Nos. - and -, with a combined title land area of approximately 40,514.01 sq m. A final survey was carried by the Department of Survey and Mapping Malaysia (JUPEM). The title land area and certified plan area of the Land are as tabulated. The Valuation Report is based on the certified plan area.

Lot No.	Description	Title Land Area		Certified Plan Land Area	
		Sq m	Sq ft	Sq m	Sq ft
PT -	Leasehold land held under title no. H.S.(D) 167540 P.T. No. -, Mukim Damansara, Daerah Petaling, Negeri Selangor	28,325.21	304,890	27,511	296,126
PT -	Leasehold land held under title no. H.S.(D) 168507 P.T. No. -, Bandar Shah Alam, Daerah Petaling, Negeri Selangor	12,188.80	131,199	12,772	137,476
<b>Total</b>		<b>40,514.01</b>	<b>436,089</b>	<b>40,283</b>	<b>433,602</b>

The Property plan with the subject site shown edged in grey is attached as "Appendix C".

The subject site comprise two (2) adjoining contiguous detached industrial lots. It is rectangular in shape, flat in terrain and lies slightly below the level of the frontage metalled road, Jalan Utas 15/7. The rear of the site abut onto a railway track. It has a total frontage of about 132.698 metres (435.4 feet) onto Jalan Utas 15/7, a well maintained metalled road with an average plot depth of about 300.502 metres (986 feet). It has a total title area of about 40,514.01 sq. metres (436,089 sq. feet/ 10.0112 acres). The perimeter fencing are demarcated with dwarf fair face brick walls surmounted with metal railing to the front portion, plastered brick walls to the rear portion and chain link fencing mounted with barbwire to others.

The Property accommodates industrial premises of about 35 to 45 years old comprising the following:

- (a) Three (3) Units of Single Storey Detached Factories
- (b) Four (4) Storey Office Block
- (c) Single Storey Canteen/Store
- (d) Guard House

### 2.4.2 Floor area

The floor area of the various buildings erected on the two (2) adjoining contiguous land is as tabulated below:

	Main Floor Area		Ancillary Floor Area	
	sq m	sq ft	sq m	sq ft
Three (3) units of Single Storey Detached Factories				
(a) Factory A	13,980.992	150,490		
(b) Factory B	2,366.800	25,476		
(c) Factory C	5,852.897	63,000		
A Four (4) Storey Office Block	1,614.656	17,380	169.084	1,820
A Canteen	148.645	1,600	-	-
A Guard House	24.526	264	-	-

### 2.4.3 Occupation status

The Property comprises manufacturing floor and office space which are presently owner occupied and is currently used by AISB for its manufacturing and marketing operations cum administration activities.

Apart from downtime when the machines are being dismantled in the factory for reassembly in the new location, which could potentially cause delay in production, there is no other impact to operations.

The relocation of the plant and machinery would be carried in stages to ensure that any downtime or stoppage would be kept to a minimum.

### 2.4.4 Title Particulars

The title particulars to the two (2) adjoining contiguous land is as tabulated below:

Item	Land 1	Land 2
Title No.	HSD 167540	HSD 168507
Lot/PT No.	PT -	PT -
Tenure of Property	Leasehold for 99 years expiring on 2 November 2069	
Town Area/Mukim	Bandar Shah Alam/Mukim Damansara	
Daerah	Petaling	
State	Selangor Darul Ehsan	
Category of Land Use	Industrial	
Existing Use	Warehouse / Manufacturing	
Certified Plan Land Area (approximate)	27,511 sq m or 296,126 sq ft	12,772 sq m or 137,476 sq ft
Title Land Area (approximate)	28,325.21 sq m or 304,890 sq ft	12,188.80 sq m or 131,199 sq ft
Total built up area (approximate)	24,157.60 sq m or 260,030 sq ft	
Building description	Three (3) units of Single Storey Detached Factories, a Four (4) Storey Office Block, a Single Storey Canteen/Store and a Guard House all bearing the postal address of Lot 11A, Jalan Utas 15/7, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan	
Age of building (approximate)	35 to 45 years	
Restriction in interest	Require State Consent	
Express Condition	Industrial	
Registered Proprietor	Amalgamated Industrial Steel Berhad (9118-M)	
Encumbrances	Charged to Maybank vide Presentation No. 111299/2015 dated 23 October 2015	Charged to Maybank vide Presentation No. 111305/2015 dated 23 October 2015
Endorsements	Nil	

Item	Land 1	Land 2
Others	Lease part of land to Tenaga Nasional Berhad (Company No. 200866-W) measuring 1.31 sq metres for a period of 30 years commencing from 5 August 2015 and ending on 4 August 2045 vide Presentation No. 111298/2015 Jilid 2 Folio 82 dated 23 October 2015	Nil
Audited net book value (as at FYE 31 December 2015)	RM47,108,428	
Disposal Price	RM47,464,509	RM22,035,491

The Property shall be disposed on "as is where is" basis free from all encumbrances in its present state and condition but subject to the existing category of land use and all expressed and implied conditions endorsed on the document of title to the Property upon the terms and conditions in the SPA.

The Property was acquired in 1970 at a cost of approximately RM5,456,676 and construction on the Land commenced in 1973. Various extensions and upgrading were carried out over the years.

A Valuation Report dated 18 July 2016 was issued by the Valuer, an independent firm of professional valuers registered with The Board of Valuers, Appraisers and Estate Agents, Malaysia.

The Valuer have assessed the Market Value of the Property at RM61,700,000.

### Cost Method

The Valuer had adopted the Comparison Method in arriving at the land value of the Property. A summary of analysis of comparable sales is as tabulated:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Address of property	No. 2, Jalan Ragum 15/17, Seksyen 15, Shah Alam, Selangor Darul Ehsan	Lot 51, Jalan Pengisar 15/9, Seksyen 15, Shah Alam, Selangor Darul Ehsan	No. 11, Jalan Ragum 15/17, Seksyen 15, Shah Alam, Selangor Darul Ehsan	No. 8, Jalan Ragum 15/17, Seksyen 15, Shah Alam, Selangor Darul Ehsan
Title details	HSD 22379, PT 55, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan	HSD 21972, PT 21972, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan	HSD 22385, PT 49, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan	HSD 22378, PT 56, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Tenure	Leasehold interest for a term of 99 years expiring on 12 January 2086	Leasehold interest for a term of 99 years expiring on 14 October 2069	Leasehold interest for a term of 99 years expiring on 12 January 2086	Leasehold interest for a term of 99 years expiring on 12 January 2086

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Type	A single storey detached factory with an annexed four storey office building	Industrial premises	A single storey detached factory	A single storey detached factory
Land area (sq ft)	20,222 sq m 217,668 sq ft	24,943.65 sq m 268,491 sq ft	11,762 sq m 126,605 sq ft	29,762 sq m 320,355 sq ft
Estimated floor area	7,413.67 sq m 79,800 sq. ft	1,222.88 sq m 13,163 sq ft	7,059.15 sq m 75,984 sq ft	15,193.01 sq m 163,536 sq ft
Transaction date	20 November 2015	20 August 2014	10 June 2015	9 October 2014
Consideration	RM31,500,000	RM28,400,000	RM22,000,000	RM44,500,000

The Valuer has placed emphasis on Comparable 1 which has the most similarity with the Property in terms of location and time in arriving at the Market Value of the Property.

For the building components, reference is made to JUBM & Langdon Seah Construction Cost Handbook Malaysia 2016. Where the building cost of single storey factory of structural steelwork range from about RM1,330 to RM1,670 per sq m of floor area (i.e. about RM124 to RM155 per sq. ft). The rate adopted for the buildings cost new and depreciation rates are as follows:

No.	Particulars	Buildings Cost New	Depreciation	Cost Adopted After Depreciation	
				RM / sq ft	Say (RM/sq ft)
1	Four (4) Storey Office Building				
	Main Floor Area	RM150.00	60%	RM60.00	RM60.00
	Ancillary Floor Area	RM75.00	60%	RM30.00	RM30.00
2	Factory A	RM120.00	70%	RM36.00	RM35.00
3	Factory B	RM120.00	20%	RM96.00	RM95.00
4	Factory C	RM120.00	60%	RM48.00	RM45.00
5	Canteen	RM100.00	75%	RM25.00	RM25.00
6	Guard House	RM90.00	60%	RM36.00	RM35.00

The adopted depreciation rates range from 20% to 75% taking into consideration the condition and age of the respective buildings as observed during the site inspection. The depreciation rates of 60% to 70% is adopted for the well maintained buildings, 75% was adopted for the building which is not well maintained whilst 20% was adopted for the building which was refurbished and reconstructed.

The Valuer has adopted the Cost Method of valuation in arriving at the Market Value of the Property and the Investment Method is used as check method of valuation as below:

No.	Method of Valuation	Market Value (RM)
(a)	Cost Method	RM61,700,000
(b)	Investment Method	RM32,600,000

As the Property is an industrial property which is currently owner occupied, the Market Value as derived from Cost Method of valuation is a fair representation of the Market Value of the Property.

## 2.5 Salient features of Valuation Report

- 2.5.1 The market value of the Property in its existing condition is RM61,700,000.
- 2.5.2 Two (2) adjoining contiguous detached industrial Lots Nos. PT - and PT - held under HSD 167540 and HSD 168507 respectively, Mukim Damansara, Daerah Petaling, State of Selangor Darul Ehsan with total title land areas measuring approximately 40,514.01 square metres in total together with three (3) blocks of single storey detached factories, a four (4) storey office building, a single storey canteen/store and a guard house erected thereon with total built up area measuring 260,030 sq ft with postal address at Lot 11A, Jalan Utas 15/7, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan (99-year leasehold interest expiring on 2 November 2069).
- 2.5.3 The Valuer has adopted the Cost Method in formulating their opinion of the Market Value of the Property and have also counter checked the valuation using the Investment Method.
- 2.5.4 The Cost Method of valuation seeks to ascertain the value of the property through the summation of the value components of the land and cost of building. In determining the value of the land, the analysed apportionment value attributable to the land is adopted as described in the foregoing approach, whilst making due allowances to factors of location, time, tenure, size and other relevant factors.
- 2.5.5 The Investment Method of valuation involves estimating the current rental income that can accrue to this property if it is made available for letting based on the usual tenancy term in the open market. From this gross income, a deduction is made for the landlord's outgoing in owning and managing the property as a form of investment. The remaining net income is then capitalized at a suitable net yield with provision for a sinking fund over the life of the investment of the remaining unexpired term.

## 2.6 Salient Terms and Conditions of the SPA

The salient terms of the SPA, as extracted from the SPA, are as set out below.

### 2.6.1 DEPOSIT AND PURCHASE PRICE

2.6.1(i) *In consideration of the following:*

- (a) *Earnest Deposit (together with all interest accrued thereon) shall be released by the Purchaser's Solicitors to the Vendor upon the execution of the Agreement and the Balance Deposit shall be payable by the Purchaser to the Vendor (the receipt of which the Vendor acknowledges) upon the execution of the SPA;*
- (b) *a further sum referred to as the RPGT Retention Sum shall be payable by the Purchaser to the Purchaser's Solicitors as stakeholders whereby the Purchaser's Solicitors shall be authorised to dealt with the same in the manner as provided under the SPA*

*as being deposit and part payment of the Purchase Price, the Vendor hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase from the Vendor the Property at the Purchase Price free from all encumbrances subject to all conditions of title, whether express or implied, the existing category of land use affecting the Property and subject further to the terms and conditions hereinafter contained. For the avoidance of doubt, GST on the Deposit is not payable under the SPA as GST on the Purchase Price shall be paid pursuant to the SPA.*

2.6.1(ii) *Subject to the Agreement has become unconditional in the manner as provided under the Second Schedule of SPA, the **Balance Purchase Price** shall be paid by the Purchaser within the **Completion Period** in the following manner:-*

- (a) *Firstly, a sum equivalent to the Redemption Sum to be paid to the Vendor's Financier (payment to the Vendor's Financier shall be deemed payment to the Vendor);*
- (b) *Secondly, the Balance Purchase Price less the Redemption Sum, shall be paid by the Purchaser to the Vendor's Solicitors as stakeholders within the Completion Period.*

2.6.1(iii) *In the event the Purchaser is unable to comply with the provisions of the SPA hereof for any reason whatsoever, the Vendor shall grant to the Purchaser the Extended Period to pay the outstanding Balance Purchase Price whereupon the Purchaser shall pay to the Vendor Late Payment Interest thereon on the amounts so outstanding on Completion Date.*

2.6.1(iv) *For the avoidance of doubt, the Purchase Price is not inclusive of GST. In the event the relevant authorities impose GST, the Purchaser shall be liable to pay GST on the Purchase Price, in addition to the Purchase Price as required. Any tax payable shall be paid within the grace period of at least fourteen (14) days as prescribed on the tax invoice issued by the Vendor to the Purchaser, failing which, it shall be a default by the Purchaser. Such tax invoice shall only be issued upon receipt of written notification from the Purchaser or Purchaser's Solicitors that the Purchaser intends to settle the Balance Purchase Price or fourteen (14) days before the expiry of the Completion Period., whichever is the earlier.*

## **2.6.2 RELEASE OF BALANCE PURCHASE PRICE**

2.6.2(i) *Upon the Vendor's Solicitors' receipt of the Balance Purchase Price and Late Payment Interest (if any), and subject to the SPA, the Vendor's Solicitors shall release the Balance Purchase Price and Late Payment Interest (if any) upon the expiry of **ten (10) days** from the date of presentation of the Title together with the Transfer for registration at the appropriate Land Office/Registry or on the Delivery Date, whichever is the later, provided that the Purchaser's Solicitors shall have presented the Transfer within the period as provided under the SPA.*

## **2.6.3 DEFAULT BY THE PARTIES**

2.6.3(i) *If the Purchaser shall default in payment of the Balance Purchase Price or the GST on the Purchase Price or otherwise in discharging the obligations of the Purchaser in connection with payment or satisfaction of the Balance Purchase Price in accordance with the terms and conditions set out herein or is in breach of any of the terms and conditions of this Agreement in any material aspect and the Vendor having complied with all the terms and conditions herein which are capable of being performed at the material time, the Vendor shall be entitled to terminate this Agreement forthwith by notice in writing to the Purchaser whereupon the Deposit shall be absolutely forfeited to the Vendor as agreed liquidated damages but all other payments made by the Purchaser towards the Purchase Price (if any) shall be refunded to the Purchaser free of interest Provided That the Purchaser shall simultaneously return or cause to be returned to the Vendor's Solicitors the Redemption Documents and the Transfer with the Vendor's interest remaining intact and vacant possession of the Property (if it has already been delivered to the Purchaser) at the Purchaser's own cost and expense PROVIDED ALWAYS THAT the Purchaser shall ensure and cause the Private Caveat to be duly withdrawn and/or removed at the relevant Land Office/Registry. Thereafter, this Agreement shall be null and void and of no further force or effect and neither party shall have any claim whatsoever against the other and the Vendor shall be entitled at its absolute discretion to resell or otherwise deal with the Property in such manner as the Vendor shall think fit and to keep any profit made on any resale. In furtherance thereof, the Parties agree that the RPGT Retention Sum comprised in the Deposit shall be dealt with as follows:-*

(a) *if the RPGT Retention Sum has not been applied in accordance with the SPA, the Purchaser shall procure the Purchaser's Solicitors to release the RPGT Retention Sum and all interest accrued thereon to the Vendor immediately; or*

(b) *if the RPGT Retention Sum has been applied in accordance with the SPA, the Purchaser shall pay to the Vendor a sum equivalent to the RPGT Retention Sum as agreed liquidated damages and the Purchaser shall be responsible for recovering the same from DGIR without recourse to the Vendor or the Vendor's Solicitors and be entitled to retain the amount so recovered from DGIR provided that the Vendor shall give their co-operation to recover the same from the DGIR, including executing a Deed of Termination and in the event that the DGIR subsequently remits the monies to the Vendor, then the Vendor shall remit the same to the Purchaser within five (5) Business Days from the date of receipt of the same.*

2.6.3(ii) *If the Vendor shall breach any of the terms and conditions of this Agreement in any material aspect or the Vendor shall fail, refuse or neglect to perform its obligation as herein imposed upon the Vendor or to complete this Agreement or to transfer the Property to the Purchaser and the Purchaser having complied with all the terms and conditions herein which are capable of being performed at the material time, the Purchaser shall be entitled at the Purchaser's sole discretion to either pursue an action against the Vendor for specific performance of this Agreement whereupon all costs and expenses incurred by the Purchaser in connection therewith (including solicitors' costs on a solicitor and client basis) shall be borne and paid by the Vendor OR to terminate this Agreement forthwith by notice in writing to the Vendor and therein elect to seek a refund of all monies paid hereunder this Agreement (including the Deposit) (without interest) together with a further sum equivalent to the Deposit as agreed liquidated damages from the Vendor. In exchange for the payment of the aforesaid sums by the Vendor to the Purchaser, the Purchaser shall simultaneously return or cause to be returned to the Vendor's Solicitors the Redemption Documents and the Transfer and vacant possession of the Property (if it has already been delivered to the Purchaser) at the Purchaser's own cost and expense PROVIDED ALWAYS THAT the Purchaser shall ensure and cause the Private Caveat to be duly withdrawn and/or removed at the relevant Land Office/Registry. Thereafter, this Agreement shall be null and void and of no further force or effect and neither party shall have any claim whatsoever against the other and the Vendor shall be entitled at its absolute discretion to resell or otherwise deal with the Property in such manner as the Vendor shall think fit and to keep any profit made on any resale. In furtherance thereof, the Parties agree that the RPGT Retention Sum comprised in the Deposit shall be dealt with as follows:-*

- (a) *if the RPGT Retention Sum has not been applied in accordance with the SPA, such sum and all interest accrued thereon shall be held by Purchaser's Solicitors, as stakeholders, and be refunded by the Purchaser's Solicitors to the Purchaser; or*
- (b) *if the RPGT Retention Sum has been applied in accordance with the SPA, the Vendor shall pay to the Purchaser's Solicitors, as stakeholders, an amount equal to the RPGT Retention Sum and shall be responsible for recovering the amount paid to DGIR without recourse to the Purchaser or the Purchaser's Solicitors and be entitled to retain the amount so recovered from DGIR provided that the Purchaser shall give their co-operation to recover the same from the DGIR, including executing a Deed of Termination and in the event that the DGIR subsequently remits the monies to the Purchaser, then the Purchaser shall remit the same to the Vendor within five (5) Business Days from the date of receipt of the same.*

**2.6.4 LEGAL & VACANT POSSESSION, RELEASE OF BUILDING DOCUMENTS, APPORTIONMENT OF OUTGOINGS AND OPTION TO RENT**

**Legal & vacant possession**

2.6.4(i) *In the event Completion Date is before Delivery Date, legal possession of the Property shall be delivered by the Vendor to the Purchaser on the Completion Date. Notwithstanding the Completion Date and the full payment of the Purchase Price by the Purchaser, vacant possession of the Property on an as-is-where-is basis shall be retained by the Vendor up to and until the Delivery Date and the Purchaser shall be entitled to occupy the Property without any rental, charges or fees payable up until the Delivery Date. The Vendor shall have the right, and at its sole and absolute discretion, to uninstall, remove or dismantle such movable or immovable structures (where affixed to the Property or otherwise), installations, goods, machines, chattels, fixtures and fittings on the Property from the Property (other than the overhead cranes) before full handover of vacant possession of the Property on the Delivery Date.*



- 2.6.4(ii) *The Parties hereby agree to conduct a joint inspection of the Property thirty (30) days prior to the Delivery Date for the purpose of determining the status of the vacant possession thereof and shall, in good faith, co-operate with each other and do all things necessary to ensure the full handover of vacant possession of the Property to the Purchaser and subject to the Purchaser being reasonably satisfied that the Vendor has vacated the Property and removed all their loose stocks, waste, detachable and movable items from the Property (other than the overhead cranes to be sold to the Purchaser), a complete set of keys to the Property shall be handed over by the Vendor to the Purchaser on Delivery Date.*
- 2.6.4(iii) *In the event Completion Date is before Delivery Date, the Vendor shall procure that the Purchaser be registered as the co-insured for the existing insurance taken up by the Vendor in respect of the Property ("**Insurance**") during such period. For the avoidance of doubt, the Vendor shall only be responsible to maintain the Insurance up until the Delivery Date and shall have the right to cancel or terminate the Insurance thereafter without reference to the Purchaser and the Purchaser shall thereafter be responsible to take up such insurance as it deems fit.*
- 2.6.4(iv) *In the event, the Vendor fails to deliver vacant possession to the Purchaser on the Delivery Date in accordance with the SPA, the Vendor shall be liable to pay to the Purchaser late delivery interest on the Purchase Price at the rate of eight per centum (8%) per annum calculated on a daily basis as agreed liquidated damages from date next after the expiry of the Delivery Date until the date vacant possession of the Property is delivered to the Purchaser and the Vendor's Solicitors shall not release the Balance Purchase Price to the Vendor until the date vacant possession is delivered to the Purchaser. The Vendor's Solicitors shall be authorized to deduct an amount equivalent to the late delivery interest from the Balance Purchase Price and shall release the same to the Purchaser.*
- 2.6.4(v) *Upon delivery of vacant possession of the Property in accordance with the terms of this Agreement, the parties hereto shall respectively make the necessary notification to the relevant utility companies, the municipal council and other Appropriate Authorities of the change of ownership of the Property. It is further agreed between the parties hereto that each party shall keep the other party ("**Affected Party**") indemnified against any damages or claims made against the Affected Party due to the failure to do the aforesaid. The Purchaser's Solicitors and the Vendor's Solicitors shall not be responsible for the filing of any change of ownership form(s) with or for any parties whatsoever.*
- 2.6.4(vi) *Any risks to the Property shall only pass to the Purchaser upon delivery of vacant possession of the Property to the Purchaser by the Vendor in accordance with the SPA. Any fines, penalties, loss or damage to the Property or any part thereof shall be entirely at the risk of and borne by the Vendor until the delivery of vacant possession to the Purchaser.*
- 2.6.4(vii) *If at any time after the date of the Agreement, any part of the property is materially damaged before the Delivery Date, the parties must promptly meet in good faith an acting reasonably and endeavor to (i) agree on an appropriate abatement of the Purchase Price proportionate to the nature and extent of the damage sustained or (ii) explore the possibility of restoring and reinstating the damaged part of the property by the Vendor. For avoidance of doubt, the Vendor shall not be bound or compelled to rebuild or reinstate the Property unless the Vendor in its discretion thinks fit. In the event that Parties have been unable to agree on the amount of abatement and Vendor does not wish to reinstate the damaged part of the Property, then the Purchaser shall be entitled at their absolute discretion, elect by notice in writing to the Vendor to rescind the Agreement whereupon the terms in the SPA shall apply. For the purpose of this clause, "materially damaged" means that any part of the Property is damaged and the total cost to reinstate the damaged part of the Property (including cost of removal of debris) is more than Ringgit Malaysia One Million (RM1,000,000.00) which shall be determined and assessed by an independent valuer appointed by the Vendor. At any time after the date of the Agreement, where the Property is damaged, the Vendor must immediately notify the Purchaser.*

2.6.4(viii) *In the event of termination of the Agreement in accordance with the SPA, in exchange for the payment of the aforesaid sums by the Vendor to the Purchaser, the Purchaser shall simultaneously return or cause to be returned to the Vendor's Solicitors the Redemption Documents and the Transfer and vacant possession of the Property (if it has already been delivered to the Purchaser) at the Purchaser's own cost and expense PROVIDED ALWAYS THAT the Purchaser shall ensure and cause the Private Caveat to be duly withdrawn and/or removed at the relevant Land Office/Registry. Thereafter, this Agreement shall be null and void and of no further force or effect and neither party shall have any claim whatsoever against the other and the Vendor shall be entitled at its absolute discretion to resell or otherwise deal with the Property in such manner as the Vendor shall think fit and to keep any profit made on any resale. In furtherance thereof, the Parties agree that the RPGT Retention Sum comprised in the Deposit shall be dealt with as follows:-*

- (a) *if the RPGT Retention Sum has not been applied in accordance with the SPA, such sum and all interest accrued thereon shall be held by Purchaser's Solicitors, as stakeholders, and be refunded by the Purchaser's Solicitors to the Purchaser; or*
- (b) *if the RPGT Retention Sum has been applied in accordance with the SPA, the Vendor shall pay to the Purchaser's Solicitors, as stakeholders, an amount equal to the RPGT Retention Sum and shall be responsible for recovering the amount paid to DGIR without recourse to the Purchaser or the Purchaser's Solicitors and be entitled to retain the amount so recovered from DGIR provided that the Purchaser shall give their co-operation to recover the same from the DGIR, including executing a Deed of Termination and in the event that the DGIR subsequently remits the monies to the Purchaser, then the Purchaser shall remit the same to the Vendor within five (5) Business Days from the date of receipt of the same.*

2.6.4(ix) *Subject always to the limitation set out under Third Schedule, the Vendor agree to indemnify and shall indemnify and hold the Purchaser harmless from and against any loss or damage, liability, claim, fines, costs or expense that the Purchaser may have incurred, suffered or sustained arising from (whether directly or indirectly) or as a result of any claim (including third party claims) or any material breach of any express conditions of use of the Property, or any Act, Ordinance, Enactment or Order, rules, regulations, by-laws and directive with respect to or in connection with the Property made or brought against the Purchaser at any time after delivery of vacant possession in accordance with the SPA but which is attributable to the Property in respect of the period prior to the date of delivery of vacant possession or due to the fault of the Vendor prior to the date of delivery of vacant possession.*

#### **Basis of Sale**

2.6.4(x) *The Purchaser has prior to the execution of this Agreement inspected and conducted its due diligence and soil test in relation to the Property and shall be deemed to have agreed to purchase and accept the same in the state and condition in which it is in as at the Delivery Date. The Purchaser is not entitled to rescind this Agreement or make any claim for compensation or reduction in the Purchase Price or claim any damages in respect of any misdescription of the area, condition or state of the Property.*

#### **2.6.5 CONDITIONS PRECEDENT**

2.6.5(i) *The completion of the sale and purchase of the Property hereto subject to the terms and conditions set out thereto is in all respects conditional upon the following Conditions Precedent being obtained or fulfilled by the Parties at their cost and expense on or before the Approval Period:*

- 1.1 *the Vendor having obtained the approval from the shareholders of the Vendor for the sale of the Property in accordance with the terms of the Agreement and receipt by the Purchaser of three (3) certified true copies of the said approval ("**Vendor's Shareholders' Approval**") and the consent of the State Authority in relation to the disposal of the Property by the Vendor to the Purchaser in accordance with the terms and conditions of the Agreement being obtained by the Vendor ("**State Consent**") (if applicable); and*

- 1.2 the consent of the State Authority in relation to the disposal of the Property by the Vendor to the Purchaser in accordance with the terms and conditions of this Agreement being obtained by the Vendor ("**State Consent**") (if applicable).
- 2.6.5(ii) Within two (2) weeks from the date hereof and subject to the receipt of this Agreement duly stamped from the Purchaser's Solicitors together with all the relevant documents to be provided by the Purchaser as required for the purpose of submission of the relevant application(s), the Vendor shall submit the relevant application(s) for consent and/or approval to the persons particularized in the SPA. The Purchaser shall provide to the Vendor such information as may be required by the relevant authority for the purpose of submission of the relevant application(s) within seven (7) days from the date hereof.
- 2.6.5(iii) In the event that a condition (an "**Adverse Condition**") is imposed by the State Authority in respect of the sale and purchase herein and which is not reasonably acceptable to the Purchaser, the Purchaser may appeal against such Adverse Condition to the extent not acceptable to the Purchaser. The approval of the State Authority shall be deemed to have been obtained if it is granted without any Adverse Condition or if granted with Adverse Condition, the Purchaser does not within seven (7) Business Days from the date of receipt of the said approval notify the Vendor in writing that such conditions are unacceptable.
- 2.6.5(iv) If at anytime during the Approvals Period, the appeal to the State Authority is rejected, the Purchaser shall be entitled to elect either to:-
- (a) accept the Adverse Condition provided that the Purchaser shall notify the Vendor of such election within seven (7) Business Days of receipt of the said rejection of the appeal failing which it shall be deemed that the Purchaser has accepted the Adverse Condition.; or
- (b) terminate this Agreement pursuant to the SPA.
- For the avoidance of doubt, Purchaser may exercise the right to terminate the Agreement pursuant to the SPA at anytime before the expiry of the Approvals Period.
- 2.6.5(v) If any of the Conditions Precedent (unless waived by the Purchaser in writing) is not fulfilled by the expiry of the Approvals Period, this Agreement shall terminate, whereupon:
- (a) the Deposit paid shall be refunded to the Purchaser without interest in exchange for the returning to the Vendor of the Transfer forwarded to the Purchaser and the removal (at the Purchaser's own cost and expenses) of the Purchaser's private caveat lodged (if any) over the Property; and
- (b) 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 and compensation or otherwise save for any antecedent breaches.
- 2.6.5(vi) In the event that the application for State Consent is rejected by the State Authority, the Vendor shall be entitled to submit an appeal against the rejection within five (5) Business Days from the date of receipt of the said rejection, failing which paragraph above shall apply as if the State Consent is not fulfilled. In the event an appeal is submitted in accordance with the SPA before the expiry of the Approvals Period, the Parties may mutually agree to an extension of time of a further three (3) months from the expiry of the Approvals Period pending the outcome of the appeal. For the avoidance of doubt, the Vendor may submit more than one (1) appeal provided always that the appeal is submitted before the expiry of the Approvals Period.
- 2.6.5(vii) The obligation of the Vendor to sell and the obligation of the Purchaser to purchase the Property shall become unconditional on the day when all the Conditions Precedent above are either fulfilled or waived by the Purchaser and three (3) certified true copies of the Vendor's Shareholders' Approval and a certified copy of the State Consent (if applicable) are received by the Purchaser's Solicitors (the "**Unconditional Date**").

## 2.7 Particulars of All Liabilities to be Assumed

There are no other liabilities to be assumed by the Purchaser pursuant to the Proposed Disposal.

## 2.8 Utilisation of Proceeds

The gross proceed arising from the Proposed Disposal would be utilised by the Group mainly for repayment of borrowings, working capital and to defray estimated expenses in relation to the Proposed Disposal of which the details are as set out below:

Details of Utilisation	Note	RM'000	% of utilisation	Estimated timeframe for utilisation of proceeds from the date of receipt of the Proposed Disposal
Repayment of borrowings & interest	1	23,295	33.52	Within 6 months
Future developments and/or investments	2	31,005	44.61	Within 24 months
Working Capital of the Group	3	10,000	14.39	Within 3 months
Estimated expenses in relation to the Proposed Disposal	4	2,000	2.88	Within 6 months
RPGT		3,200	4.60	Within 3 months
<b>Total</b>		<b>69,500</b>	<b>100.00</b>	

Notes:

- This is for the settlement of the loan together with the accrued interest expense due to Maybank. The total borrowings of AISB Group as at LPD is approximately RM23,295,000. The savings in interest expense from the repayment of bank borrowing of RM23,295,000 is about RM1,200,000 per annum based on an average monthly borrowing of RM25,000,000 at an average interest rate of 4.8% per annum.*
- Project financing for acquisition of land, construction and working capital for property development. The proceeds will be placed in short-term repo pending identification of future development and/or investments.*
- Working capital comprises of the following with the management to determine the exact ratio of utilisation:*

No.	Category	Amount earmarked (RM)
(i)	<i>Group general operation expenses covering payment of staff salaries, payment of group income taxes and other administrative expenses</i>	<i>1,200,000</i>
(ii)	<i>Financing for purchases of raw materials and trading stock for sale*</i>	<i>8,800,000</i>
<i>Total</i>		<i>10,000,000</i>

*\* The purchases of raw materials and trading stock is part of AISB Group's ordinary course of business of manufacturing steel products. Since AISB Group has retired all its banking facilities, part of the proceeds received from the Proposed Disposal will be reserved for future purchases.*

- The estimated expenses in relation to the Proposed Disposal comprises mainly of professional fee, inclusive of valuation and legal advisory, in relation to the SPA.*

## 2.9 **Prospects of the Steel Industry**

The volatility of the price of raw materials and the extent of de-correlation with steel prices is a major concern for pricing into long-term supply contracts.

The local steel industry continues to be hampered by the influx of cheap imported Chinese steel products which has depressed domestic selling prices. This is further compounded by the global oversupply situation and sagging demand in People's Republic of China ("China PRC"), the world's largest steel producer, which has led to shrinking world steel prices.

In addition, the hike in electricity tariff, the Goods and Services Tax as well as the imposition of the second minimum wage policy will undermine growth in the bearish local steel industry.

While steel prices are expected to gradually increase, the local steel market remains uncertain as a lot depends on government's initiative to implement some form of trade measures against imports, which predominate from China PRC.

## 2.10 **Cash Company or Practice Note 17 ("PN 17") Company**

The Proposed Disposal is not expected to result in the Company becoming a cash company or PN17 company.

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

The Proposed Disposal provides an avenue for AISB to unlock and realise the potential value of the Property. The total Disposal Price of RM69,500,000 represents significant appreciation in the value of the Property since its acquisition and subsequent revaluation.

Upon completion, the Proposed Disposal is expected to result in a net gain of approximately RM17,191,572. Detailed information is outlined under section 5.2 of this circular.

The immediate crystallisation of the value of the Property, through the Proposed Disposal, will improve AISB's operating cash flow and strengthen its financial standing. The proposed utilization of proceeds, tabulated under sub-section 2.8 above, will, in part, retire all the bank borrowings of the Group and fund ongoing working capital requirement as well as to finance investment in various property projects currently being explored. The proforma effects of the Proposed Disposal on net assets and gearing of AISB are as set out under section 5.3 of this circular.

## 4. **RISK FACTORS**

The Proposed Disposal is not expected to change the risk profile of AISB. However, the Proposed Disposal is subject to various risks as outlined below:

### 4.1 **Failure and / or Delay in the Approval from the Authorities and / or Parties**

The completion of the Proposed Disposal is conditional upon, inter-alia, the obligations and covenants of the SPA as stated in section 2.6 of this Circular being satisfied and/or varied as the case maybe. There can be no assurance that the Proposed Disposal will not be exposed to risks such as the inability to fulfil the obligations and conditions and/or inability to obtain the approvals from the relevant authorities, if any.

If any of the conditions precedent of the SPA is not fulfilled or not waived by the respective parties, including the failure to secure the approval from the shareholders of the Company or the relevant authorities within the period of time set out in the SPA, the Proposed Disposal may be delayed or terminated. Nevertheless, the management shall use its best endeavours to ensure every effort is made to satisfy the conditions precedent amongst others, to obtain the approval from the shareholders of the Company for the Proposed Disposal in a timely manner.

### 4.2 **Contractual Risk**

The Group may be subjected to certain contractual risks such as specific performance or payment of liquidated damages as a result of non-fulfilment of its obligations under the SPA. Nevertheless the Group will endeavour to ensure full compliance in relation to its part of the obligations under the SPA.

### 4.3 Office Relocation

Every effort will be taken to ensure that the Group identifies and enters into a lease for new office and manufacturing/production premises, prior to the completion of the Proposed Disposal. The management of the Group will use its best endeavour to identify such property, expedite the finalization of negotiations with the landlords and enter into necessary arrangements to secure a lease for its new offices so as to ensure smooth office relocation.

The management is in negotiation with a prospective landlord of office premises in UEP Subang Jaya (USJ), Selangor Darul Ehsan with the intention to locate its operational office and a showroom for its property division there. Management has also identified a few sites in Shah Alam and Klang, both in Selangor Darul Ehsan to house its current production operations, pending further evaluation of these locations vis a vis operations and other relevant factors. Production layout planning and renovation works are being evaluated and management do not foresee any delay in the relocation of business operations and production activities.

Management anticipate a smooth transition to these new location(s) which shall be carried in stages to minimise downtime and disruption to operations. The targeted relocation deadline to the new premises is by 1 June 2017, well ahead of delivery deadline of the current premises to the Purchaser by 1 July 2017.

## 5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

### 5.1 Share Capital and Substantial Shareholders' Shareholding

The Proposed Disposal will not have any effect on the issued and paid-up share capital of AISB and the substantial shareholders' shareholding in AISB as no new AISB Shares will be issued pursuant to the Proposed Disposal.

### 5.2 Earnings and EPS

The Proposed Disposal is expected to have no material effect on the net assets of AISB Group save for a one-off net gain on disposal of about RM17,191,572 which will be recognised, upon the completion, in the FYE 31 December 2017.

For illustration purposes, based on the latest audited consolidated financial statements of AISB for the FYE 31 December 2015 and assuming that the Proposed Disposal has been completed on 1 January 2015, being the beginning of the financial year of AISB, the basis of arriving at the gain from the Proposed Disposal on the consolidated earnings and EPS of is as tabulated below:

		Amount (RM)
Disposal Price		69,500,000
less:	Audited NBV as at 31 December 2015 of the Property and related expenditure	47,108,428
	Estimated provision for income tax / real property gains tax (net of deferred tax)	3,200,000
	Estimated expenses in relation to Proposed Disposal	2,000,000
<b>Net gain from Proposed Disposal</b>		<b>17,191,572</b>
	Issued share capital	EPS from Proposed Disposal (sen)
Share capital as to-date	131,874,975 (125,077,675 excluding Treasury Shares)	13.74

### 5.3 Net Assets and Gearing

The Proposed Disposal is expected to have no material effects on the net assets of AISB Group save for a gain on disposal as mentioned above. Upon settlement of the Redemption Sum of approximately RM23,295,000, AISB would save on interest expense of about RM1,200,000 per annum based on an average monthly borrowing of RM25,000,000 at an average interest rate of 4.8% per annum.

The Group's finance costs will be reduced due to the full utilisation of the proceeds raised from the Proposed Disposal for the repayment of borrowings and the gearing ratio is expected to be further improved accordingly.

For illustration purposes, based on the latest audited consolidated financial statements of AISB for the FYE 31 December 2015 and assuming that the Proposed Disposal has been effected on 31 December 2015, being the end of the financial year of AISB, the basis to arrive at the effect of the Proposed Disposal on the NA per share and gearing of AISB are as tabulated below:

	Audited as at 31 December 2015	After the Proposed Disposal
Share capital (RM)	13,187,497	13,187,497
Reserves (RM)	103,892,988	121,084,560
Treasury shares (RM)	(3,724,544)	(3,724,544)
<b>Total equity attributable to owners of the Company</b>	113,355,941	130,547,513
No. of ordinary shares in issue	131,874,975	131,874,975
Net assets per share (RM)	0.9036	1.0437
Total borrowings (RM)	29,720,000	0
Gearing ratio (times)	0.26	0

### 6. APPROVALS REQUIRED

The Proposed Disposal is subject to the following approvals being obtained:

- Shareholders of AISB at an EGM to be convened;
- State Government consent on transfer of title; and
- Any other relevant authorities/parties, as required.

The Proposed Disposal is not conditional or inter-conditional upon any other corporate exercise/scheme.

### 7. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the fulfilment of all conditions precedent as set out in the SPA, the Board expects the Proposed Disposal to be completed by February 2017. The tentative timetable in relation to the Proposed Disposal is as follows:

Tentative date	Event
November 2016	Application for State Consent to Transfer of Title
November 2016	EGM
February 2017	Completion of the Proposed Disposal

## **8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the Directors and/or major shareholders and/or persons connected to Directors and/or persons connected to the major shareholders of the Company and of the Group has any interest, direct or indirect, in the Proposed Disposal.

## **9. DIRECTORS' RECOMMENDATION**

The Board, having considered all relevant aspects of the Proposed Disposal and in particular, the basis of arriving at the Disposal Price and financial effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the AISB Group and is not detrimental to the shareholders of AISB.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

## **10. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

As at the LPD, save for the Proposed Disposal, there are no other proposals which have been announced but pending completion.

## **11. EGM**

The Notice convening the EGM is enclosed together with this Circular. The EGM will be held at Lot 11A, Jalan Utas 15/7, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan on Wednesday, 23 November 2016 at 10.30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Disposal.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the enclosed Form of Proxy for the EGM in accordance with the instruction thereon, to reach the Company's Registered Office at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time stipulated for holding the EGM or at any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

## **12. FURTHER INFORMATION**

Shareholders are advised to refer to the attached Appendices in this Circular for further information.

Yours faithfully

For and on behalf of the Board of

**AMALGAMATED INDUSTRIAL STEEL BERHAD**

**Dato' Ghazali Bin Mat Ariff**

**Chairman, Independent Non-Executive Director**



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**APPENDICES**