

FAJARBARU BUILDER GROUP BHD ("FB" OR THE "COMPANY")

PROPOSED ACQUISITION BY WAJATEX SDN BHD, AN INDIRECT WHOLLY OWNED SUBSIDIARY OF FB, OF ALL THAT PIECE OF FREEHOLD LAND MEASURING APPROXIMATELY 9,330.935 SQUARE METRE HELD UNDER GERAN 5441, LOT 76, SEKSYEN 76, BANDAR KUALA LUMPUR, DAERAH KUALA LUMPUR, NEGERI WILAYAH PERSEKUTUAN FROM JALAR BAKTI SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM23,600,000 ("PROPOSED ACQUISITION")

1. INTRODUCTION

The Board of Directors of Fajarbaru Builder Group Berhad ("FB" or the "Company") ("Board"), is pleased to announce that Wajatex Sdn Bhd ("WSB" or the "Purchaser"), an indirect wholly owned subsidiary of FB, had on 9 August 2011 entered into a conditional sale and purchase agreement ("SPA") with Jalar Bakti Sdn Bhd ("JBSB" or the "Vendor") for the proposed acquisition of a piece of freehold land measuring approximately 9,330.935 square meters held under Geran 5441, Lot 76, Seksyen 76, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan ("Land") for a total cash consideration of RM23,600,000 ("Purchase Consideration") ("Proposed Acquisition").

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on WSB

WSB was incorporated in Malaysia on 7 March 1996 under the Companies Act, 1965 (the "Act") as a private limited company. It is an indirect wholly-owned subsidiary of the Company. The intended activity of WSB is property development and project management.

The authorised share capital of WSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each ("WSB Shares") of which RM500,000.00 comprising 500,000 WSB Shares have been issued and fully paid-up.

2.2 Information on the Vendor

The Vendor is a private limited company incorporated in Malaysia on 11 December 2001 under the Act. The present authorised share capital of the Vendor is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each of which 5,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities of the Vendor is property investment and letting of properties.

2.3 Information on the Land and proposed development

WSB has agreed to buy and the Vendor has agreed to sell the Land free from all claims, charges, liens or other encumbrances whatsoever and with all rights, benefits, title and interest attached thereto together with vacant possession for the Purchase Consideration based upon the terms and conditions contained in the SPA.

The Land is a freehold commercial land measuring 9,330.935 square meters held under Geran 5441, Lot 76, Seksyen 76, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan.

Accessibility to the Land is from Jalan Ipoh, U-turn at the second traffic light below the Sentul Link flyover and the first left turn into Jalan Kovil Hilir. The Land was divided into 2 parcels by a 40 ft road. The 40 ft road connects Jalan Kovil Hilir to Jalan Perhentian beneath the Sentul Link flyover.

The Land is currently being tenanted by AVS Car Wash Service Centre (001580164-V) and Sentul Cinema Sdn. Bhd. (722941-P) at a total monthly rental of RM27,500.00.

The Board is unable to procure the net book value of the Land in the financial accounts of the Vendor as the Company is not privy to such information.

Further details of the Land are summarised in the table below:-

Title No./ Lot No./ : Geran 5441, Lot 76, Seksyen 76, Bandar Kuala Lumpur,
Town/District/State Daerah Kuala Lumpur, Negeri Wilayah Persekutuan

Land area : 9,330.935 square meters

Category of land use : Bangunan

Express condition : a) Tanah ini hendaklah digunakan hanya untuk tapak bangunan bagi maksud perdagangan sahaja.
b) Pembangunan di atas tanah ini hendaklah mematuhi perintah pembangunan yang dikeluarkan oleh Datuk Bandar Kuala Lumpur.

Restriction-in-interest : Nil

Tenure : Freehold

Registered Proprietor : Jalar Bakti Sdn Bhd

Encumbrances : Private Caveat entered on the land by Sentul Cinema Sdn Bhd vide Persn No. 494/2011 on 13 January 2011 ("Tenant's Caveat")

Other endorsements : Nil

Valuation method : Comparison Method of Valuation

Market value^{*1} : RM23,600,000.00

Note:-

^{*1} Based on the valuation report dated 26 May 2011 prepared by First Pacific Valuers Property Consultants Sdn Bhd, a firm of independent registered valuer

2.4 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration of RM23,600,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration of the following:-

- a) The valuation of the Land at RM23,600,000-00 carried out by First Pacific Valuers Property Consultants Sdn. Bhd. ("the Valuer") on 26 May 2011;
- b) development potential of the Land based on the pre-existing infrastructure; and
- c) the established location of Sentul which has good accessibility and wide range of amenities and facilities.

The Purchase Consideration will be fully satisfied by way of cash payment in accordance to the following timeframe and manner:-

	Timeframe	Amount Payable RM
Earnest Deposit	Paid on 10 May 2011	470,000
Further sum	Upon execution of the SPA	1,890,000
Balance Purchase Price	Within a period of 3 months from the SPA date	21,240,000
Total		<u>23,600,000</u>

2.5 Source of funding

WSB intends to fund the Proposed Acquisition through internally generated funds and/or bank borrowings, the exact quantum/ mix of which has not be finalised at the date of this Announcement.

The management of WSB will choose the most optimum mix taking into consideration, its gearing level, interest expenses as well as internal cash requirements for its business.

2.6 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser pursuant to the Proposed Acquisition.

2.7 Salient terms and conditions of the SPA

The salient terms and conditions of the SPA include, amongst others, the following:-

Conditions Precedent

- i. The sale and purchase of the said Land shall be subject to the condition precedent that the Vendor shall at the Vendor's own cost and expense to remove/withdraw the Tenant's Caveat.
- ii. The SPA shall become unconditional upon WSB's Solicitors in receipt from the Vendor's Solicitors' written notification and documentary evidence that the Tenant's Caveat has been removed/withdrawn (the date of WSB's Solicitors in receipt of such confirmation shall be referred to as "the Effective Date").
- iii. It is hereby expressly agreed that in the event that the Tenant's Caveat is not removed/withdrawn within Six (6) months from the date of the SPA either party may at the request of the party give such extension of time or to terminate the SPA and in the event that the SPA is terminated the Vendor shall refund on demand to WSB the first 10% of the purchase price free of interest within Fourteen (14) days from the written notification of termination issued by WSB or the Vendor failing which the Vendor shall pay to WSB interest at the rate of Eight per centum (8%) per annum on the said sum for the period from the due date to the date of payment and thereafter the SPA shall become null and void and cease to have any further force or effect.

2.8 Salient features of the Valuation Letter

The Valuer had appraised the Land in its valuation report dated 26 May 2011 using the Comparison Method, by comparing the Land with other comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect the Land's value such as location and accessibility, market conditions, time, size, shape, orientation, terrain of the Land, tenure and restriction, if any, and other relevant characteristics.

The Valuer is of the opinion that the market value of the Land, subject to the title being good, marketable, registrable free from all encumbrances and with the benefit of vacant possession is RM23,600,000.

A summary of the details of the Land were set out in Section 2.3 of this Announcement.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with FB's objective to focus on acquiring potential landbank within Kuala Lumpur for property development. The development of commercial properties to be undertaken on the said Land will provide FB with a new source of income.

4. OUTLOOK AND PROSPECTS OF THE MALAYSIAN PROPERTY MARKET

The Malaysian economy is projected to expand between 5.0% to 6.0% in 2011 as compared to 7.0% in 2010, mainly driven by domestic demand and supported by a favourable external sector. The strong economic fundamentals will continue to propel the growth momentum of domestic demand. Private investment activity, which turned positive in 2010, is envisaged to contribute significantly to economic growth. This is in line with the expected commencement of 52 Private Finance Initiatives over the 10th Malaysia Plan period as well as the implementation of private sector projects under the National Key Economic Areas. Private consumption is expected to strengthen in view of low unemployment and increasing disposable household income. Growth prospects are also premised on firm prices of major commodities which will spur rural household spending in 2011. With the private sector spearheading growth, public expenditure is expected to moderate, reflecting the Government's commitment towards prudent fiscal management.

Construction activity in the residential sub-sector moderated following the completion of several high-end properties, particularly condominiums and apartments. In addition, the performance of the sub-sector in the first half of 2010 was affected by the delay in launching new projects during the economic downturn in 2009 when developers were more cautious. However, following the economic recovery, coupled with attractive financing packages and affordable interest rates, housing starts recorded an increase of 3.2% in the second quarter of 2010 compared with the preceding quarter. In addition, the take-up rate of newly launched residential units improved to 19.5% as compared to 12.3% recorded during the first half of 2009. Despite slower housing construction activity, high-end landed properties located in preferred areas were well-received with 100% take-up rate during launches. The aggressive promotion of Malaysia My Second Home programme also contributed to the strong take-up of high-end properties. With the strong domestic economic performance coupled with the buoyant secondary housing market, potential house buyers, particularly in the Klang Valley, Penang and Selangor are shifting from a wait-and-see attitude in 2009 to ready-to-commit in the second half of 2010.

Source: Economic Report 2010/2011, Ministry of Finance Malaysia

5. RISK FACTOR

The following are risk factors that may arise from the Proposed Acquisition (which may not be exhaustive):-

5.1 Sensitivity to economic downturn and business risk 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. The Board reckons that the effects of weaker demand could be mitigated in a slow economic environment by good planning in terms of design, timing of launch and pricing points as compared to competitors.

The future development on the Land is also subject to inherent risks in the property development industry, which includes labour supply, volatility in construction material prices and changes in regulatory framework of the construction and/or property development industries. FB will leverage on its strength and experience as a property development manager to manage these risks closely.

5.2 Competitive risks

FB faces competition from various property developers. Competitiveness of a property development company is dependent on its ability to acquire reasonably priced land banks at strategic locations, availability of labour supply and the market price of properties.

FB will continue to take measures to mitigate these risks such as conducting market intelligence surveys, monitoring and adjusting development and marketing strategies in response to changing economic conditions and market demand.

5.3 Non-completion of the Proposed Acquisition

If the Conditions Precedent are not met by the Conditions Precedent Fulfillment Period, the Proposed Acquisition will not be completed, FB will not be able to meet its objective as stated in Section 3 of this Announcement.

The Board will take reasonable steps to ensure that the Conditions Precedent are met in order to complete the Proposed Acquisition.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are set out below:-

6.1 Issued and paid-up share capital and substantial shareholders' shareholding

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholding structure of FB as the Purchase Consideration is to be fully satisfied via cash and does not involve any issuance of new ordinary shares in FB.

6.2 Net assets ("NA"), NA per share and gearing

The Proposed Acquisition will not have any material effect on the NA and NA per share of FB for the financial year ending 30 June 2012.

As disclosed in Section 2.5 of this Announcement, the Purchase Consideration will be funded through internally generated funds and/or bank borrowings. The exact mix of internally generated funds and bank borrowings will be decided by the management of FB at a later date.

6.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition is not expected to have any material impact on the earnings and EPS of FB for the financial year ending 30 June 2012. However, the potential future profit contribution arising from the development of the Land may enhance the earnings and EPS in the long run.

7. APPROVALS REQUIRED

The Proposed Acquisition is not subject to FB's shareholders approval.

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to fulfillment of all the Conditions Precedents as set out in the SPA, the Proposed Acquisition is expected to be completed by the first quarter of 2012.

9. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02 (g) of Bursa Securities' Main Market Listing Requirements is 15.70%.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors or major shareholders of FB and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Acquisition.

11. DIRECTORS' RECOMMENDATION

The Board after having considered all the relevant aspects in respect of the Proposed Acquisition including the rationale of the Proposed Acquisition which is set out in Section 3 of this Announcement, is of the opinion that the terms and conditions of the Proposed Acquisition are fair and reasonable and are in the best interest of the Company and none of the Directors have disagreed with this statement.

12. DEPARTURE FROM THE EQUITY GUIDELINES ISSUED BY THE SECURITIES COMMISSION ("SECURITIES COMMISSION'S GUIDELINES")

The Proposed Acquisition is not subject to the approval of the Securities Commission and does not fall under the Securities Commission's Guidelines. Therefore, to the best knowledge of the Board, the Proposed Acquisition has not departed from the Securities Commission's Guidelines.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be made available for inspection at the registered office of FB at No. 1 & 1A, 2nd Floor (Room 2), Jalan Ipoh Kecil, 50350 Kuala Lumpur during the normal business hours from Mondays to Fridays (except public holidays) for a period being not less than three (3) months from the date of this announcement:-

- i. the SPA signed between WSB and JBSB dated 9 August 2011 in respect of the Proposed Acquisition; and

- ii. the valuation report dated 26 May 2011, prepared by the Valuer in respect of the valuation of the Land pursuant to the Proposed Acquisition.

This announcement is dated 9 August 2011.