

MAH SING GROUP BERHAD (“MAH SING” OR “COMPANY”)

PROPOSED ACQUISITION BY INTRAMEWAH DEVELOPMENT SDN BHD, A WHOLLY OWNED SUBSIDIARY OF MAH SING, OF ALL THAT PIECE OF PRIME LAND WITH ESTIMATED GROSS DEVELOPMENT VALUE OF APPROXIMATELY RM800 MILLION LOCATED DIAGONALLY OPPOSITE THE PROPOSED MRT STATION NEXT TO RUBBER RESEARCH INSTITUTE OF MALAYSIA (RRIM) LAND IN SEKSYEN U19, DAERAH PETALING MEASURING APPROXIMATELY 6.54878 ACRES NET FROM PULANGAN ELIT SDN BHD FOR CASH CONSIDERATION OF RM85,000,000 OR APPROXIMATELY RM297.97 PER SQUARE FOOT

1. INTRODUCTION

The Board of Directors of Mah Sing (“**Board**”) wishes to announce that Intramewah Development Sdn Bhd (“**Intramewah**” or “**Purchaser**”), a wholly owned subsidiary of Mah Sing, had on 3 April 2013, entered into a sale and purchase agreement (“**Agreement**”) with Pulangan Elit Sdn Bhd (“**Pulangan Elit**” or “**Vendor**”) for the proposed acquisition of all that piece of prime land measuring approximately 6.54878 acres net in Seksyen U19, Daerah Petaling as more particularly described in section 2.3 herein (“**Land**”) for cash consideration of RM85,000,000 or approximately RM297.97 per square foot (“**Proposed Acquisition**”).

The Land is located in Seksyen U19, Daerah Petaling at the junction of Jalan Welfare along the main thoroughfare of Jalan Sungai Buluh-Shah Alam. The Land is diagonally opposite the upcoming MRT station next to the Rubber Research Institute of Malaysia (RRIM) land which is the first MRT station after the Sungai Buloh terminal. The proposed integrated development will be called **D’sara Sentral**.

Based on the preliminary plans, the Land is proposed for an integrated lifestyle commercial development with an estimated gross development value (“**GDV**”) of approximately RM800 million. **D’sara Sentral** will be a mixed development comprising SoVo (small office versatile office), retail space and service residences with proposed direct link to the MRT station via a pedestrian bridge.

Intramewah will be submitting the proposed development plans to the relevant authorities for approval. Subject to authorities’ approval, the development project is to be developed over a span of 3 to 5 years. Awareness programme and registration of interests for D’sara Sentral will commence within the second quarter of 2013 and preview is expected in the fourth quarter of 2013.

The Land is a strategic fit to the Group’s immediate-term plan to complement its existing portfolio with a range of products with mass market appeal to cater to the rising middle income group. Besides the scarcity of development land close to the catalytic MRT project, there is also a supply shortage of mass market products in property hotspots in the Klang Valley. The proposed development is also in line with the increasing trend and preference towards smaller sized residences within well planned integrated projects.

The success of the Group’s **Star Avenue D’sara** project just 6km away is testament to the potential of **D’sara Sentral** that is strategically located within the highly sought after northern growth corridor of the Greater Kuala Lumpur Strategic Development project.

With the Proposed Acquisition, the Group now has 41 projects with combined remaining GDV and unbilled sales of approximately RM19.7 billion spread across Malaysia’s property hotspots namely Kuala Lumpur and Klang Valley, Penang island, Iskandar Malaysia and Kota Kinabalu, Sabah.

Further details of the Proposed Acquisition are set out in the ensuing sections.

2. THE PROPOSED ACQUISITION

2.1 Information on Intramewah

Intramewah is a private limited company incorporated in Malaysia on 9 March 2004 under the Companies Act, 1965. The present authorised share capital of Intramewah is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up. Intramewah is principally involved in property development.

2.2 Information on Pulangan Elit

Pulangan Elit is a private limited company incorporated in Malaysia on 22 July 2004 under the Companies Act, 1965. The present authorised share capital of Pulangan Elit is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 4,850,000 ordinary shares of RM1.00 each have been issued and fully paid-up. Pulangan Elit is currently dormant.

2.3 Information on the Land

The Land is held under title number H.S.(M) 11440, PT No. 4629, Pekan Baru Sungai Buluh, Daerah Petaling, Negeri Selangor with net land area measuring approximately 6.54878 acres (after deducting the area acquired by the relevant authority for the purpose of Mass Rapid Transit (“MRT”) measuring approximately 0.848 acres). The Vendor is the registered and beneficial owner of the Land.

The Land is a leasehold land subject to the category of land use “*Perusahaan/Perindustrian*”. The current category of land use zoning approved by Majlis Bandaraya Shah Alam is “Commercial” with plot ratio of 3. The Vendor will submit an application to convert the category of land use from “Industry” to “Commercial”. The lease term is 60 years with expiry date on 16 October 2028. As set out in section 2.6.2 herein, it is the Vendor’s obligation to apply for a full 99 year lease. Presently, there is an unoccupied factory building with approximate built up area of 70,000 square feet and age of 13 years erected on the Land.

Save and except for the charge in favour of United Overseas Bank (Malaysia) Berhad, the Land is to be acquired from the Vendor free from all encumbrances, caveats, charges, liens whatsoever, free from all squatters, tenants, occupants, invitees, licensees, structures, places of worship, burial grounds, encroachment and with vacant possession.

The Land is located in Seksyen U19, Daerah Petaling at the junction of Jalan Welfare along the main thoroughfare of Jalan Sungai Buluh-Shah Alam. The Land is diagonally opposite the upcoming MRT station next to the Research Institute of Malaysia (RRIM) land which is the first MRT station after the Sungai Buloh terminal.

As a well-established sub-urban centre of Kuala Lumpur, **D’Sara Sentral** enjoys a host of access routes including the North Klang Valley Expressway (NKVE), Lebuhraya Damansara Puchong (LDP) Guthrie Corridor and North South Highway. It is only a 15 minutes’ drive to Kuala Lumpur via various convenient routes. For example, the nearby Sungai Buloh Interchange along the NKVE provides easy access to both Kepong and Kuala Lumpur.

Established neighbourhoods within a 5km radius of D’Sara Sentral includes Sierramas, Valencia, Damansara Damai, Saujana Damansara, Bandar Sri Damansara, Kota Damansara, Bukit Rahman Putra, Taman Perindustrian KIP, Taman Industry Sungai Buloh, Bandar Baru Sungai Buloh, and Kampung Baru Sungai Buloh itself. Other affluent neighbourhoods within a 10km radius of the project include Kepong, TTDI, Damansara Utama and Selayang.

There are currently 4 major secondary schools in the area, namely Sekolah Sri Bestari, SMK Bandar Baru Sungai Buloh, SMK Bukit Gading and SMK Bukit Rahman Putra as well as numerous primary schools including SJK(C) Sungai Buloh. The elc International School in nearby Sierramas provides both primary and secondary education.

Other than the upcoming MRT station, there is also a KTM Komuter station in the middle of Sungai Buloh that connects to the Rawang - Seremban line. The Bukit Rahman Putra Golf Course is just a short drive away.

The Sungai Buluh Hospital which has been identified as a center of excellence for various disciplines including emergency and trauma, neurosurgery and orthopaedics is also close by.

Please refer to Appendix I for details of the location of the Land.

2.4 Proposed development of the Land

Based on preliminary plans, the Land is proposed for an integrated lifestyle commercial development with an estimated GDV of approximately RM800 million.

Subject to authority approval, initial plans for the first phase of **D'sara Sentral** will comprise SoVo units from 750 square feet, to be indicatively priced from RM650 per square foot. There shall also be well designed retail units which can be used as show rooms or al-fresco food and beverage outlets. The commercial components of the project are expected to enrich the living space and to add vibrancy to the project.

With a proposed direct link to the MRT station, tenants and buyers of **D'Sara Sentral** will have quick, economical and convenient access to any of the localities served by the 31 stations along the Sg Buloh – Kajang MRT line.

Phase one of the MRT Sungai Buloh-Kajang Line is slated for completion by end of 2016. The MRT line that links Sungai Buloh, Kajang connecting Damansara, the central business district of Kuala Lumpur and Cheras presents a population catchment of 1.2 million with estimated daily ridership of 442,000.

Intramewah will be submitting the proposed development plans to relevant authorities for approval. Therefore, it is too preliminary at this stage to ascertain the total development cost and the expected profits to be derived from the proposed development. Subject to authorities' approval, the development project is expected to commence in the first half of 2014. Awareness programme and registration of interest for D'sara Sentral is expected to commence in the second quarter of 2013 and preview is expected in the fourth quarter of 2013.

The development project is to be developed over a span of 3 to 5 years.

2.5 Basis of consideration

The purchase price of RM85,000,000 was arrived at between the parties on a "willing-buyer willing-seller" basis after taking into consideration the following:

- (i) the scarcity of strategic development land along the Sungai Buloh and Kajang MRT line;
- (ii) the Group's familiarity with marketability and development potential of land within the vicinity following the overwhelming success of the Group's **Star Avenue D'sara** project 6km away; and
- (iii) strategic fit of the Land to the Group's fast turnaround development model with ready infrastructure connectivity and amenities.

Based on Mah Sing's internal assessment of the Land, the purchase price is within range of acceptable land cost given the potential GDV to be generated. No valuation was carried out on the Land.

Based on the latest audited financial statements of the Vendor as at 31 December 2011, the net book value of the Land is RM 17,633,788.50.

2.6 Salient terms of the Agreement

The salient terms of the Agreement include, amongst others, the following:

2.6.1 Terms of payment of the purchase price

Subject to fulfilment of Special Conditions by the Vendor, the purchase price of the Land amounting to RM85,000,000 ("**Purchase Price**") shall be paid in the following manner:

- (i) simultaneously with the execution of the Agreement and subject to section 2.6.4 herein, a deposit of RM12,750,000 ("**Deposit**") shall be paid to the Vendor's solicitors as stakeholders subject to a retention sum from the Deposit for remitting the same to the relevant authorities on behalf of the Vendor for payment of real property gains tax pursuant to the Real Property Gains Tax Act, 1976;
- (ii) subject to fulfilment of Special Conditions by the Vendor, the balance purchase price of RM72,250,000 ("**Balance Purchase Price**") shall be paid or caused to be paid by Intramewah to the Vendor in the following manner:-
 - (a) a sum of RM18,000,000 ("**BPP 1**") shall be paid to the Vendor within three (3) months from the date of the Agreement or within fourteen (14) days from the Unconditional Date (as defined herein), whichever shall be the later date ("**BPP 1 Payment Period**") with an extension of thirty (30) days thereafter to be granted by the Vendor;
 - (b) a sum of RM10,000,000 ("**BPP 2**") shall be paid to the Vendor within four (4) months from the date of the Agreement or within one (1) month from the date immediately after the expiry of the BPP 1 Payment Period, whichever shall be the later date with an extension of thirty (30) days thereafter to be granted by the Vendor; and
 - (c) a sum of RM44,250,000 ("**BPP 3**") shall be paid to the Vendor within six (6) months from the date of the Agreement or within one (1) month from the date immediately after the fulfilment of the Special Conditions (as define herein), whichever shall be the later date with an extension of thirty (30) days thereafter to be granted by the Vendor.
- (iii) The Vendor and Intramewah irrevocably and expressly agree that in the event the Special Conditions are not fulfilled by the Vendor in accordance with the relevant provisions of the Agreement, the Purchase Price shall be automatically reduced to RM65,000,000.00 and the BPP 3 shall automatically be adjusted to RM24,250,000.00 ("**New BPP 3**") wherein the New BPP 3 shall be paid or cause to be paid by Intramewah to the Vendor within one (1) month from the date immediately after the expiry of the Performance Period with an extension of thirty (30) days thereafter to be granted by the Vendor.

The date on which the Purchase Price (as may be reduced pursuant to section 2.6.1(iii) above) together with the late payment interest (if any) is paid or deemed to have been paid to the Vendor towards the account of the Purchase Price shall be referred to as the "**Completion Date**".

2.6.2 Condition precedent

The Agreement shall be conditional upon the issuance of separate issue document of title to the Land with the Vendor endorsed therein as the sole registered owner thereof and with a full 99 year lease from the date of such issuance ("**New Title**") and the relevant state authority consent to transfer the Land in favour of Intramewah ("**Condition Precedent**") being obtained by the Vendor at its own costs and expenses all within three (3) months from the date of the Agreement with an automatic extension of two (2) months thereafter and such other extension(s) of time as may be granted by Intramewah.

The date on which the certified true copy of the New Title and the original copy of the state authority consent to transfer the Land in favour of Intramewah are delivered to Intramewah's solicitors as the stakeholders, whichever shall be the later, shall be referred to as the "**Unconditional Date**".

2.6.3 Special conditions

The Vendor shall obtain a written approval from the Selangor State Planning Committee for the plot ratio of the Land as required by Intramewah and the Land is rezoned to “commercial” (“**Special Conditions**”) within six (6) months from the date of this Agreement with an automatic extension of a further nine (9) months thereafter and such other extension(s) of time as Intramewah may at its sole and absolute discretion grant to the Vendor (“**Performance Period**”).

2.6.4 Grant of power of attorney and personal guarantee

Simultaneously with the execution of the Agreement, the Vendor shall:-

- (i) execute and deliver a valid and registrable power of attorney in favour of Intramewah (with no claim for compensation) to Intramewah, authorising and empowering Intramewah to deal with all matters in respect of the Land subject to the terms and conditions therein contained.
- (ii) cause Teo Hwa Peng and Teoh Wah Leong (collectively “**Guarantors**”) to execute and deliver to Intramewah a joint and several personal guarantee in favour of Intramewah, wherein the Guarantors shall irrevocably and unconditionally guarantee punctual payment by the Vendor of all sums due to Intramewah under the Agreement.

2.7 Source of funding

Mah Sing intends to fund the Proposed Acquisition and the development cost of the Land via proceeds from the Rights Issue completed in March 2013 and/or bank borrowings. The exact mix of Rights Issue proceeds and bank borrowings will be decided by the management at a later stage taking into consideration the Group’s gearing level, interest costs as well as internal cash requirements for its business.

2.8 Assumption of liabilities

Save for the premium to be borne by Intramewah in relation to the extension of lease to 99 years and to obtain the required plot ratio amounting to up to RM10 million, there are no other liabilities, including contingent liabilities and guarantee to be assumed by the Group arising from the Proposed Acquisition.

3. RATIONALE FOR THE PROPOSED ACQUISITION

With this Land, the Group has a total of 41 projects in Malaysia’s 4 growth hotspots of Kuala Lumpur and Klang Valley, Iskandar Malaysia, Penang island and Kota Kinabalu, Sabah. Combining the total potential GDV from remaining landbank with RM3.1 billion unbilled sales position as of 31 December 2012, the Group has approximately RM19.7 billion worth of future revenue and earnings visibility.

The Land, located diagonally opposite the proposed MRT station next to the RRIM land has a large catchment potential not only from first time home owners or upgraders from the surrounding vicinity, but buyers from the nearly half a million expected ridership of the upcoming MRT line. The proposed direct pedestrian link to the MRT station further adds appeal to the proposed development that offers an integrated mix of SoVo, retail space and serviced residences.

The overwhelming success of the Group’s Star Avenue D’sara project nearby with more than RM310 million products sold since its launch in 2011 is a testament of the strong appeal of the location. The matured and established developments nearby including Sierramas, Valencia, Saujana Damansara, Kota Damansara; the industrial and business parks within the

vicinity and the proposed redevelopment of the RRIM land makes the location ideal for a proposed integrated lifestyle commercial development.

The proposed development fits in strategically with the Group's direction of complementing its portfolio with mass market range of products, to tap on the pent up demand due to supply shortage of such property especially in strategic locations within Klang Valley. The products proposed are also in line with the increasing trend and preference towards smaller sized apartments and residences within well planned integrated development.

The development of the Land is expected to generate an estimated gross development value of approximately RM800 million, which will in turn contribute positively to the Group's future revenue stream and profitability.

4. PROSPECTS AND RISK FACTORS

4.1 Overview and prospect of the Malaysian economy

The Malaysian economy performed better than expected in 2012, recording a strong growth of 5.6%. The overall growth performance was driven by higher growth in domestic demand, which outweighed the negative impact from the weak external environment. Domestic demand recorded the highest rate of expansion over the recent decade, underpinned by higher consumption and investment spending. The Malaysian economy is expected to remain on a steady growth path, with an expansion of 5-6% in 2013.

Overall, the growth prospects of the Malaysian economy will continue to be underpinned by the strength of its fundamentals. Of importance, labour market conditions will remain favourable, with the unemployment rate projected to remain low at 3.1% of the labour force in 2013. In addition, the financial system continues to demonstrate resilience against the challenging external environment, with financial intermediation expected to continue to provide strong support to domestic economic activity.

(Source: BNM Annual Report 2012)

4.2 Overview and Prospects of the property market

The upward trend in residential property prices largely reflected macroeconomic, rather than financial factors. Investment purchases, while contributing to price increases, have not been fuelled by excessive credit.

The effect of medium-term factors, most importantly changes in demography and rate of urbanisation, appear to be more pronounced. Since the second quarter of 2007, demand (using average transacted units as a proxy) has consistently outpaced the new supply of houses (as measured by the incremental stock of houses) by a large margin. Given the higher concentration of new developments in properties priced above RM1 million, approximately 80% of property transactions to meet demand by the general population has been taking place in the secondary market. This has partly supported house prices at higher levels, particularly in Kuala Lumpur, Selangor and Penang.

Shorter-term demand factors in particular lower interest rates leading to lower borrowing costs and the higher attraction of property as an asset class and a hedge against inflation have had a smaller relative effect, compared to demographics, on recent movements in house prices. The return on investments in residential properties averaged at about 4.6% over the fourth quarter of 2009 to the second quarter of 2012. This has attracted more investors to the property sector, which is seen as a relatively safe investment given the scarcity of land in prime locations, stable rental yields (outside the Klang Valley) and relatively low speculative elements compared with property markets in other countries.

(Source: BNM Financial Stability and Payment Systems Report 2012)

The Economic Transformation Programme (ETP) will continue to attract both local and foreign investor interest to the Malaysian property sector, said Performance Management and

Delivery Unit (Pemandu) chief executive and Minister in the Prime Minister's Department Datuk Seri Idris Jala.

Catalysts to pull in the investments include the improved urban public transportation and Entry Point Projects such as the Mass Rapid Transit (MRT), he said.

"The property landscape will continue to flourish with more jobs created, increased property development and enhanced gross national income (GNI) for the country," shared Idris at the Malaysian Annual Real Estate Convention 2013.

"I am convinced that the property sector will attract interest with many new exciting developments that will help expand our economy," he said.

On other mega trends in the property sector, Idris said demand for city-living would continue to rise in line with demand for high-rise buildings and apartments.

In a separate session on future growth areas around the Klang Valley, Ho Chin Soon Research director Ho Chin Soon said the market should keep its eyes peeled on the next MRT lines.

"When people ask me where the hot spots were, I say follow the infrastructure," he said, pointing to the highways, LRT, MRT and high-speed rail lines. "And speculate on the MRT circle line and Putrajaya line."

(Source: "Economic Transformation Programme to attract local and foreign investors to M'sian property sector" by Liz Lee, March 8, 2013, <http://www.starproperty.my/index.php/property-news/economic-transformation-programme-to-attract-local-and-foreign-investors-to-msian-property-sector/>)

In view of the above, the Board of Mah Sing is of the view that prospects for the proposed development are positive and is not aware of any material risk factors arising from the Proposed Acquisition other than the normal market, business and global economic risks.

5. EFFECTS OF THE PROPOSED ACQUISITION

5.1 Share capital and shareholdings of substantial shareholders

The Proposed Acquisition has no impact on the issued and paid-up share capital of Mah Sing and the shareholdings of the substantial shareholders of Mah Sing as it will be satisfied wholly by cash and does not involve any issuance of new ordinary shares.

5.2 Earnings

The Proposed Acquisition is not expected to have material impact on the earnings of the Group for the financial year ending 31 December 2013 as the proposed development is expected to commence in the first quarter of 2014. The development of the Land is expected to enhance the earnings of the Group in future years.

5.3 Net assets

The Proposed Acquisition will not have material effect on the net assets per share of the Group for the financial year ending 31 December 2013. However, in view of the potential future profit contribution arising from the development of the Land, the net assets of the Group are expected to be enhanced over time.

5.4 Gearing

As set out in section 2.7 herein, the Purchase Price is expected to be funded from the Rights Issue proceeds and/or bank borrowings. The exact mix of Rights Issue proceeds and bank borrowings will be decided by the management at a later stage, after taking into consideration the Group's gearing level, interest costs and internal cash requirements for its business operations.

For illustration purposes only, based on its latest audited consolidated financial statements as at 31 December 2012 and adjusting for the Purchase Price, the proforma net gearing ratio of the Group as at 31 December 2012 is 0.32 times.

6. APPROVALS REQUIRED

Save as mentioned in Sections 2.6.2 and 2.6.3 above, the Proposed Acquisition is not subject to Mah Sing shareholders' or any other governmental authorities' approvals.

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 6.8%.

7. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the Condition Precedent being fulfilled, the Proposed Acquisition is expected to be completed in the second half of 2013.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Insofar as the Directors are aware, none of the Directors and/or major shareholders of Mah Sing and/or persons connected to them have any interests, direct or indirect, in the Proposed Acquisition.

9. DIRECTORS' RECOMMENDATION

The Board of Mah Sing, having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement and the Power of Attorney in relation to the Proposed Acquisition are available for inspection at the registered office of the Company at Penthouse Suite 1, Wisma Mah Sing, No. 163 Jalan Sungai Besi, 57100 Kuala Lumpur, during normal business hours from Mondays to Fridays (except for public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 3 April 2013.

D'sara Sentral

Below is the location map of the Land.



Source: Google Map (<http://maps.google.com.my/>)
MRT Corp (<http://www.mymrt.com.my/routemap.html>)