

## UEM LAND HOLDINGS BERHAD (“ULHB”)

- (I) **SHAREHOLDERS’ AGREEMENT BETWEEN ULHB, ISKANDAR HARTA HOLDINGS SDN BHD (“IHH”) AND NUSAJAYA LIFESTYLE SDN BHD (“NLSB”) IN CONNECTION WITH THE PROPOSED DEVELOPMENT OF 2 PARCELS OF LAND IN MEDINI, NUSAJAYA, ISKANDAR MALAYSIA, JOHOR DARUL TAKZIM (“MEDINI LAND”) AS A MIXED DEVELOPMENT PREDOMINANTLY IN THE RETAIL SEGMENT (“SHAREHOLDERS’ AGREEMENT”); AND**
  - (II) **AGREEMENTS TO LEASE BETWEEN NLSB (A PROPOSED 55%-OWNED SUBSIDIARY OF ULHB) AND IHH, BEING THE REGISTERED OWNER OF THE MEDINI LAND, FOR THE 99-YEAR LEASE OF THE MEDINI LAND FOR AN AGGREGATE CONSIDERATION OF RM100.0 MILLION (“LEASE CONSIDERATION”) (“AGREEMENTS TO LEASE”)**
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### 1. INTRODUCTION

On behalf of the Board of Directors (“**Board**”) of ULHB, CIMB Investment Bank Berhad is pleased to announce that ULHB proposes to undertake, together with IHH, the development of 2 parcels of land measuring an aggregate of approximately 35 acres held under H. S. (D) 478904, PTD 170657 (“**Lot A3A**”) and H. S. (D) 478905, PTD 170658 (“**Lot A3B**”), both situated in Mukim of Pulai, Johor Darul Takzim, as a mixed development predominantly in the retail segment (“**Proposed Development**”).

The Proposed Development will be undertaken via NLSB, whereby the proposed equity ownership of NLSB to be held by ULHB and IHH is 55% and 45%, respectively.

To give effect to the above:

- (i) ULHB had, on 9 June 2011, entered into the Shareholders’ Agreement with IHH and NLSB to establish the shareholding structure of NLSB and to regulate the relationship amongst the 3 parties; and
- (ii) concurrent with the execution of the Shareholders’ Agreement, NLSB had entered into the Agreements to Lease with IHH, being the registered owner of the Medini Land, for the 99-year lease of Lot A3A and Lot A3B, respectively as follows:
  - (a) Lot A3A, having allocated gross floor area (“**GFA**”) of 500,000 square feet (“**sqft**”), for a consideration of RM28.3 million (“**Lot A3A Consideration**”); and
  - (b) Lot A3B,
    - (aa) having allocated GFA of 1,000,000 sqft, for a consideration of RM56.7 million (“**Lot A3B Consideration**”); and
    - (bb) with additional GFA of 500,000 sqft (earmarked for residential or serviced apartments units) (“**Residential GFA**”) to be allocated subject to the approvals by the relevant authorities, for a consideration of RM15.0 million (“**Residential GFA Consideration**”),

(collectively referred to as the “**Proposals**”).

### 2. DETAILS OF THE PROPOSALS

#### 2.1 Details of the Shareholders’ Agreement

- 2.1.1 To facilitate the implementation of the Proposed Development, ULHB had, on 9 June 2011, entered into the Shareholders’ Agreement with IHH and NLSB to establish the shareholding structure of NLSB, whereby the objectives of NLSB is to conceptualise, design, build and undertake the Proposed Development in accordance with the business plan to be approved by NLSB’s Board and the approved master development plan for Medini, Iskandar Malaysia.

- 2.1.2 The Shareholders' Agreement is conditional upon the following being satisfied within 1 month from the date of the said agreement:
- (i) the approval of the Boards of ULHB and IHH for their respective equity subscription and participation in NLSB; and
  - (ii) the approval of the Board of NLSB to enter into the relevant transaction documents in connection with the Shareholders' Agreement,
- (collectively referred to as the "**SA Conditions**").
- 2.1.3 Within 14 days from the date on which the SA Conditions have been fulfilled and/or waived, the parties agree to undertake the following:
- (i) the transfer of the 2 subscribers' shares of RM1.00 each in NLSB ("**NLSB Shares**") from the existing shareholders to ULHB and IHH respectively; and
  - (ii) ULHB and IHH to subscribe for new NLSB Shares in the following manner ("**Initial Subscription**"):
    - (a) ULHB to subscribe for 5,499,999 NLSB Shares for a total consideration of RM5,499,999; and
    - (b) IHH to subscribe for 4,499,999 NLSB Shares for a total consideration of RM4,499,999.

Immediately upon completion of the Initial Subscription, NLSB will have an issued and paid-up capital of RM10.0 million whilst ULHB and IHH will hold 55% and 45% equity interest in NLSB, respectively.

- 2.1.4 The parties acknowledge and agree that the cost of the Proposed Development (including the Lease Consideration), based on the current business plans to be approved, will not exceed RM665.0 million whilst the equity capital required from the shareholders of NLSB will not exceed an aggregate of RM125.0 million, unless otherwise mutually agreed in writing.
- 2.1.5 To undertake the Proposed Development, NLSB will appoint ULHB or its subsidiaries to provide the following services:
- (i) development management services at the rate of 3% based on the total development costs for the Proposed Development;
  - (ii) sales agency fees for the residential units at 1.5% of the sales revenue or in the event ULHB or its subsidiary is required to outsource the said services to a third party, such rate as the said third party may charge up to the maximum rate of 2.0% of the sales revenue; and
  - (iii) leasing agency fees for retail units at 1.5 months of monthly rental of the relevant tenancy secured or in the event ULHB or its subsidiary is required to outsource the said services to a third party, such rate as the said third party may charge up to the maximum rate of 2 months of the monthly rental of the relevant tenancy secured.
- 2.1.6 As a term to the Shareholders' Agreement, no shareholder of NLSB ("**Offeror**") shall sell, transfer or dispose of all or any of its NLSB Shares to any other person without first making an offer to the other shareholders of NLSB ("**Offerees**") in respect of the Offeror's entire shareholdings in NLSB ("**Offer Shares**") at a stated offer price ("**Offer Price**") ("**Pre-emptive Right**").

If the Offer Price is not accepted by the Offerees, they shall be entitled to request for a certification on the fair value of NLSB Shares (“**Agreed Valuation Price**”) by an independent appraiser/valuer to be mutually agreed by the Offeror and the Offerees, whereby the Pre-emptive Rights shall then apply with respect to the Agreed Valuation Price or the Offer Price, whichever is lower (“**Final Offer Price**”).

Any accepting Offerees will be entitled to acquire the Offer Shares in proportion to their respective shareholdings in NLSB as well as the entitlement of any non-accepting Offeree.

Where some but not all the Offer Shares are accepted by Offerees, the Offeror shall not be under any obligation to sell such portion of the accepted Offer Shares to the Offerees. The Offeror shall then be entitled to sell all or any part of the Offer Shares to any third party at a price which is not lower than the Final Offer Price, upon similar terms and conditions offered to the Offerees.

The provisions relating to the Pre-emptive Right described above will not apply in the following circumstances:

- (i) any transfer effected with mutual agreement of all shareholders of NLSB;
- (ii) any transfer by IHH of up to 25% of its shareholdings in NLSB to its holding company, Khazanah Nasional Berhad (“**Khazanah**”); and
- (iii) any transfer of shares by the shareholders of NLSB to their (a) 100% direct subsidiary companies; (b) 100% direct holding companies; and/or (c) the said holding companies’ 100% direct subsidiary companies.

Any transfer of shares to third parties shall always be subject to such parties agreeing to accept and be bound by the terms of the Shareholders’ Agreement (including the provisions relating to the Pre-emptive Right).

## **2.2 Details of the Agreements to Lease**

2.2.1 Concurrent with the execution of the Shareholders’ Agreement, NLSB had entered into the Agreements to Lease with IHH, being the registered owner of the Medini Land, for a 99-year lease of Lot A3A and Lot A3B, respectively free from all encumbrances. Each of the said leases will commence on the date when the relevant lease documents are to be presented at the relevant land office or registry for registration, which will be undertaken after full payment of the respective lease consideration (or delivery of, amongst others, an undertaking from NLSB’s lender where financing is sought).

2.2.2 The Agreements to Lease are conditional upon the following being satisfied within 1 month from the date of the said agreements:

- (i) the approval of the Board of IHH to enter into the relevant transaction documents in connection with the Agreements to Lease; and
- (ii) the approval of the Boards or shareholders (if required) of NLSB to enter into the relevant transaction documents in connection with the Agreements to Lease,

(collectively referred to as the “**ATL Conditions**”).

2.2.3 The Lease Consideration shall be paid in the following manner:

<u>Description</u>	<u>Amount</u>	<u>Timing of payment</u>
	<b>RM mil</b>	
10% of the Lease Consideration	10.00	Within 14 days from the date on which the ATL Conditions have been fulfilled and/or waived
90% of the Residential GFA Consideration	13.50	Within 14 days from the receipt of the Residential GFA Approval (as defined below) (subject to the SA Conditions being fulfilled and/or waived)
90% of the Lot A3B Consideration	51.03	Within 9 months from the date of the Agreements to Lease (subject to the SA Conditions being fulfilled and/or waived)
90% of the Lot A3A Consideration	25.47	Within 33 months from the date of the Agreements to Lease (subject to the SA Conditions being fulfilled and/or waived)
<b>TOTAL</b>	<b><u>100.00</u></b>	

2.2.4 IHH shall, within 3 months from the date of the Shareholders' Agreement or such other period as ULHB and IHH may mutually agree, deliver to NLSB the letter from the relevant authorities evidencing that the 500,000 sqft Residential GFA has been allocated to Lot A3B ("**Residential GFA Approval**").

In the event IHH is unable to deliver the Residential GFA Approval in accordance with the terms of the Shareholders' Agreement:

- (i) IHH shall refund any monies paid by NLSB towards the Residential GFA Consideration; and
- (ii) in view of the non-deliver of the Residential GFA Approval, the Lot A3B Consideration shall be reduced by a quantum to be mutually agreed between ULHB and IHH, subject to a minimum rate of 10% of the amount payable.

2.3 The Lease Consideration was arrived at after taking into consideration the following:

- (i) the market valuation of the Medini Land as appraised by Knight Frank (an independent firm of professional valuer), as set out in their letter dated 22 April 2011 ("**Valuation Letter**"), of RM101.0 million using the comparison method of valuation methodology. The breakdown of the market valuation by land parcels are as follow:

<u>Land Parcel</u>	<u>Market value</u>
	<b>RM mil</b>
Lot A3A	29.0
Lot A3B (including the Residential GFA)*	72.0*
<b>TOTAL</b>	<b><u>101.0</u></b>

**Note:**

\* The market value of Lot A3B (excluding the Residential GFA) as set out in the Valuation Letter is RM57.0 million.

- (ii) the development proposal and prospects of the Medini Land as set out in Sections 5 and 7 below.

2.4 ULHB is unable to procure information on the net book value of and IHH's cost of investment in the Medini Land.

- 2.5 ULHB will fund its portion of the Initial Subscription through its existing cash balance, whilst future investment in NLSB is intended to be funded through internally generated funds and/or borrowings.

NLSB will fund the Lease Consideration through the equity capital received from ULHB and IHH, whilst future development cost and working capital will be funded via proportionate shareholders' advance/equity capital, bank borrowings and/or internally generated funds.

- 2.6 ULHB and its subsidiaries ("**ULHB Group**") will not assume any liabilities (including contingent liabilities and/or guarantees) arising from the Proposals.
- 2.7 The Proposed Development is expected to be completed within 8 years from the date of the Shareholders' Agreement.

### 3. **INFORMATION ON IHH**

IHH, a wholly-owned subsidiary of Iskandar Investment Berhad ("**IIB**"), was incorporated in Malaysia on 11 June 2009 and is principally an investment holding company. IIB, a 60.0% owned subsidiary of Khazanah, works in close partnership with the Iskandar Regional Development Authority to drive investment into Iskandar Malaysia to which Medini is part of. IIB is a catalytic developer that identifies and develops catalytic projects which stimulate and sustain long-term growth for the Iskandar Malaysia region by investing in selected strategic initiatives through shareholding stakes in joint ventures or contribution of land, either through sale or lease, or granting of a concession or development right.

### 4. **INFORMATION ON NLSB**

NLSB was incorporated in Malaysia on 2 June 2011 and its principal activity is property and real estate development, management and property management. The present issued and paid-up share capital of NLSB is RM2 comprising of 2 ordinary shares of RM1.00 each. Upon completion of the Initial Subscription, NLSB's issued and paid-up share capital will then be increased to RM10.0 million comprising of 10.0 million ordinary shares of RM1.00 each, to be held by ULHB and IHH in the proportion of 55% and 45%, respectively.

### 5. **INFORMATION ON THE MEDINI LAND AND THE PROPOSED DEVELOPMENT**

The Medini Land, which comprise of 2 parcels of land measuring an aggregate of approximately 35 acres and having a GFA of 2,000,000 sqft (including the Residential GFA), is located in Medini, Nusajaya, the new urban township of Iskandar Malaysia. Specifically, the Medini Land is situated in Medini North, which forms part of the Medini Lifestyle cluster covering a land mass of 570 acres. Infrastructures planned for this northern cluster include retail promenade, hotels, residential townships, theme park, multimodal stations, a tertiary hospital and international schools.

The Proposed Development, known as the "*Lifestyle Retail Mall and Residences @ Medini North*" entails the development of the first retail mall in Medini which combines street-style retail shop lots, entertainment facilities and shopping mall ("**Medini Lifestyle Mall**") together with a serviced apartment component.

The Proposed Development will be developed over several phases with the first phase being the development of part of the Medini Lifestyle Mall, which will have allocated GFA of 200,000 sqft. The Medini Lifestyle Mall will serve as the entrance to the LEGOLAND Malaysia theme park ("**Legoland Theme Park**") (which is located adjacent to the Medini Lifestyle Mall) and is expected to be positioned as an international destination, offering retail, entertainment and food & beverages ("**F&B**") facilities to complement the adjacent Legoland Theme Park. The first phase of the Medini Lifestyle Mall is expected to be completed by September 2012 in conjunction with scheduled opening of the Legoland theme park.

The subsequent phases of the Proposed Development (including expansion of the Medini Lifestyle Mall and serviced apartments) are expected to be developed and completed over period of 8 years from the date of the Shareholders' Agreement.

The initial approved building plans and development orders with respect to the Medini Lifestyle Mall have already been obtained and the development works for the Medini Lifestyle Mall are expected to commence immediately, whilst submissions to the relevant regulatory authorities for variation to the said approved building plans (primarily for the phasing of the development) as well as for the additional 500,000 sqft Residential GFA to be allocated to Lot A3B will be submitted concurrently.

To this end, IHH will deliver to NLSB limited power of attorneys authorising NLSB and/or ULHB's subsidiaries to carry out all necessary tasks relating to the Proposed Development including, but not limited to, to apply and liaise with the relevant authorities to obtain all necessary approvals required to carry out the Proposed Development, and to commence earthworks and construction on the Medini Land.

## **6. RATIONALE FOR THE PROPOSALS**

The Proposals are in line with the ULHB Group's continuous effort in sourcing new landbank and property development opportunities to improve and sustain its earnings growth.

Further, the Proposed Development to be undertaken pursuant to the Proposals represents the ULHB Group's first foray into retail development in Nusajaya, whereby the Medini Lifestyle Mall is intended to be retained as investment property. As such, the Proposals will allow for further product and income stream diversification to the ULHB Group and strengthen ULHB's property investment portfolio.

The Proposed Development represents a testament to the realisation of anticipated synergies contemplated under the recently concluded acquisition of Sunrise Berhad ("**Sunrise**"), through the leveraging on Sunrise's expertise and experience in retail developments, namely Plaza Mont' Kiara, Solaris Mont' Kiara and Solaris Dutamas.

In addition, the Proposed Development is also expected to result in spill-over economic benefits to the other ULHB's developments within Nusajaya (which includes Medini) given the appeal and nature of the Medini Lifestyle Mall.

## **7. FUTURE PROSPECTS OF THE MEDINI LAND AND THE PROPOSED DEVELOPMENT**

The retail market in general is expected to remain positive for the rest of 2011 and 2012, and developers are expected to take advantage of positive business sentiment, underpinned by other contributing factors to potentially boost their returns on retail property development in Johor Bahru. Contributing factors to the positive sentiment include various on-going infrastructure developments, such as the Coastal Highway linking Johor Bahru city centre to Nusajaya, Eastern Dispersal Link linking the North-South Highway to the city centre/custom immigration & quarantine complex, the inner ring road-Jalan Skudai interchange near the Lido Boulevard project, Johor Bahru East Coast Highway or Southern Link connecting Johor Bahru/Permas Jaya and Pasir Gudang and the Senai-Desaru Expressway, all of which are expected to be ready in 2011/2012. These developments will ease traffic flow and shorten travel times and also help to spur population migration into Johor Bahru, which in turn will spur other property developments taking place, particularly housing and retail developments to cater for the anticipated growing population.

Anticipated improved domestic spending within the retail industry, higher disposable incomes, a rapidly increasing population, more Singaporeans visiting Johor Bahru and Malaysia, a reduction of import duties on various products and sustainable foreign investment in the retail sector will lead to more expansion and growth of the retail industry in Malaysia. The retail property market, particularly those located within the boundary of Iskandar Malaysia, with support from good transport and infrastructure and a growing consumer spending, have good prospects in the longer term.

*(Source: Jones Lang Wootton Malaysia's Quarterly Report - 1<sup>st</sup> Quarter 2011)*

The development of the Medini Lifestyle Mall represents the first large scale retail development in Medini, Nusajaya, whereby retail demand and spending is expected to be sustained by the growing population and commercial activities in Medini and Nusajaya as a whole. This is further supported via the surrounding catalyst projects in Nusajaya including Puteri Harbour, EduCity, Medini Central Business District as well as other commercial and retail developments.

More importantly, the Medini Lifestyle Mall, by virtue of its niche offering and being situated next to the Legoland Theme Park, is expected to be a destination-driven mall and would enjoy patronage from domestic and international tourism.

A key factor which is expected to contribute to the prospects of Proposed Development is the strategic location of the Medini Land, coupled with good accessibility and infrastructure, such as the 15 kilometre six-lane Coastal Highway, which is expected to be completed by the end of 2011. The Coastal Highway is expected to improve traffic flow thus reducing travel time from 30 minutes to less than 15 minutes for vehicles traversing from Johor Bahru's central business district to Nusajaya.

With the phased development of Medini Lifestyle Mall over an 8-year time horizon, it is ULHB's intention to manage its investment cost and returns of Medini Land in tandem with growing population, affluence and retail property yields of Medini and Nusajaya.

## **8. RISK FACTORS**

In addition to the inherent risks inherent in the property development business of which the ULHB Group is already involved in, the Proposals may also expose the ULHB Group to the following key risk factors relating to the retail development business including but not limited to the following:

- (i) ability to secure tenants at an economically favourable terms and in a timely manner;
- (ii) payment delay, defaults and premature termination under tenancy agreements and non-renewal of tenancy upon its expiration;
- (iii) competition from other retail malls and/or entry of new malls in Medini, Nusajaya and/or surrounding areas such as Johor Bahru; and
- (iv) increasing operating expenses and other costs such as repair and maintenance, quit rent, assessments and other statutory charges, insurance premiums and cost of utilities.

In addition to the above factors, which may have a material adverse effect on the financial position and prospects of the ULHB Group, the prospects of Medini Lifestyle Mall may also be linked to the extent of the success of Legoland Theme Park, for which the ULHB Group is not involved with in terms of ownership, operations and/or management.

## **9. FINANCIAL EFFECTS OF THE PROPOSALS**

### **9.1 Issued and paid-up share capital and substantial shareholders' shareholdings**

The Proposals will not have any effect on the ULHB's issued and paid-up share capital and/or substantial shareholders' shareholding in ULHB as the Proposals do not involve any issuance of ULHB shares.

### **9.2 Net asset ("NA"), NA per share and gearing**

The Proposals are not expected to have any material effect on ULHB's consolidated NA, NA per share and gearing.

### **9.3 Earnings and earnings per share ("EPS")**

The Proposals are not expected to have any material effect on ULHB's consolidated earnings and EPS for the financial year ending 31 December 2011.

The Proposals are expected to contribute positively to the future earnings of the ULHB Group.

## **10. APPROVALS REQUIRED**

Save for the Residential GFA Approval to be obtained by NLSB (which is not a condition to the Proposals), the Proposals do not involve any regulatory and/or shareholder approval.

## **11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

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

As at 31 May 2011, Khazanah holds 69.0% equity interest in ULHB via its wholly-owned subsidiary, UEM Group Berhad ("**UEMG**") and 60.0% equity interest in IIB, which holds 100.0% equity interest in IHH. As such, Khazanah and UEMG, being major shareholders of ULHB, are deemed to be interested in the Proposals.

YBhg Tan Sri Dr Ahmad Tajuddin Ali, YBhg Dato' Mohd Izzaddin Idris and Encik Abdul Kadir Md Kassim are Directors of both UEMG and ULHB, whilst Mr Sheranjiv Sammanthan is a nominee of Khazanah on ULHB's Board. As such, YBhg Tan Sri Dr Ahmad Tajuddin Ali, YBhg Dato' Mohd Izzaddin Idris, Encik Abdul Kadir Md Kassim and Mr Sheranjiv Sammanthan (collectively referred to as the "**Interested Directors**") are deemed interested in the Proposals and have abstained from deliberating and voting at any Board Audit Committee and/or Board meeting of ULHB in respect of the Proposals. None of the Interested Directors hold, directly and/or indirectly, any shares in ULHB.

## **12. DIRECTORS' STATEMENT**

ULHB's Board (other than the Interested Directors), after having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interests of ULHB and its shareholders.

**13. AUDIT COMMITTEE'S STATEMENT**

The Board Audit Committee of ULHB (other than the Interested Directors), after having considered all aspects of the Proposals (including but not limited to rationale and prospects as discussed in Sections 6 and 7 above), is of the opinion that the Proposals are:

- (i) in the best interest of ULHB;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders.

**14. OTHER INFORMATION REQUIRED UNDER THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("LISTING REQUIREMENTS")**

- (i) The highest percentage ratio applicable to the Proposals pursuant to paragraph 10.02(g) of the Listing Requirements is 2.05%.
- (ii) In the 12 months preceding the date of this announcement, the total amount transacted between ULHB and IHH and connected persons was approximately RM6.53 million (excluding recurrent related party transactions which are undertaken pursuant to ULHB's shareholders' mandate obtained on 10 June 2010).

**15. ADVISER**

CIMB has been appointed as the Adviser to ULHB for the Proposals in respect of compliance with the relevant Malaysian regulatory requirements.

**16. DOCUMENTS FOR INSPECTION**

The Shareholders' Agreement, Agreements to Lease and Valuation Letter are available for inspection at ULHB's office at 19-2, Mercu UEM, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

**This announcement is dated 9 June 2011.**