

# **LBS BINA GROUP BERHAD** (518482-H)

## **AGREEMENT BETWEEN SINARAN RESTU SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF LBS BINA GROUP BERHAD AND HOTEL RASA SAYANG SDN BHD**

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#### **1. Introduction**

The Board of LBS Bina Group Berhad (“LBGB” or “Company”) wishes to inform that its wholly-owned subsidiary, Sinaran Restu Sdn Bhd (“SRSB”) had on 6 July 2013 entered into a Joint Venture Agreement (“Agreement”) with Hotel Rasa Sayang Sdn Bhd (Company No. 10368-X) (“HRS” or “Landowner”) for the proposed development project on a piece of freehold land known as Geran 437503 Lot 20952 (previously known as H.S.(D) 227750 P.T.B. No. 19190) in Town of Johor Bahru, District of Johor Bahru and State of Johor Darul Takzim with a land area measuring approximately 1.18 acres (“Development Land”) which HRS is the registered owner of the said Development Land.

(hereinafter both SRSB and HRS collectively referred to as the “Parties”)

#### **2. Background Information on SRSB**

SRSB was incorporated in Malaysia on 23 February 1988 as a private limited company and is having its authorized share capital of RM5,000,000.00 divided into 5,000,000 ordinary shares of RM1.00 each of which 3,000,000 ordinary shares have been issued and fully paid-up. SRSB is principally engaged in property development and investment holding.

#### **3. Background Information on HRS**

HRS is a company incorporated in Malaysia on 6 January 1971 and having its authorized share capital of RM9,000,000.00 divided into 9,000,000 ordinary shares of RM1.00 each of which 8,230,326 ordinary shares have been issued and fully paid-up. HRS is principally engaged in hotel management.

#### **4. Information of the Development Land**

The Development Land is strategically located within the much sought-after prime commercial area along Jalan Dato’ Dalam in center of Johor Bahru City, the “Southern Gateway” of Malaysia, which lies under the Zone A of the Iskandar Malaysia, a strategic development project encompasses an area of 2,217 square kilometers in total by the Malaysian Government aimed at transforming Johor Bahru into a new urban metropolis of international standing. Zone A is a district which allows easy access to transportation hubs such as the Zon Ferry Terminal with ferry routes to Indonesia and Singapore.

Located approximately 5 kilometers to the Custom, Immigration and Quarantine Complex (CIQ), the Development Land is about 500 meter from Persada Johor International Convention Center. It is well connected with several highways including Tebrau Highway linking the city to the north-east and the Tun Razak (TAR) highway/Senai-Skudai Highway linking it to the north-west. In the future, a multi-modal terminal will be developed in Flagship A, as well as an MRT/LRT system connecting Johor Bahru City Centre to other areas in Iskandar Malaysia (*Source: Iskandar Malaysia*).

The Development Land is proposed to be transformed into a residential project comprises 579 units of services apartment with estimated total Gross Development Value (“GDV”) of approximately RM500 million spanning over an estimated project period of 4 years (“Proposed Development”). The total development cost is estimated to be RM375 million which was planned to be financed through the combination of internally generated fund and/or bank borrowings, the quantum of which has yet to determine at this juncture and the manner

of raising funds for the Proposed Development may subsequently vary depending on the circumstances. The Proposed Development is expected to be commenced in early 2014.

Currently, there is a three (3) storey hotel erected on the Development Land known as “Hotel Rasa Sayang” with approximately age of buildings of 50 years. The hotel has ceased its operations since June 2013. Based on the preliminary plan, the hotel is intended to be demolished for the Proposed Development.

The Development Land is currently charged to a local financial institution.

No valuation of the Development Land was carried out, given LBGB’s knowledge of the market value of the surrounding properties and the potential development value of similar land within the vicinity. The Company is not able to disclose the net book value of the Development Land as it is not privy to this information.

## **5. Liability to be assumed**

There are no liabilities, including contingent liabilities and guarantees, to be assumed by LBGB in undertaking this Agreement other than the Landowner’s Entitlement as mentioned hereunder.

## **6. Basis on arriving at Landowner’s Entitlement**

The Landowner’s Entitlement of RM42 million payable over a period of not more than 18 months from the date of Agreement is arrived at after due negotiation taking into accounts of the followings:-

- (a) the development potential and prospects of the Development Land in view of its strategic location within Zone A of Iskandar Malaysia. The proposed mixed development on the Land is expected to generate GDV of approximately RM500 million;
- (b) the Group’s strategy to further strengthen its foothold in Johor as well as the potential cost savings from synergistic benefits that may arise in areas such as sales and marketing and operations;
- (c) the attractive payment terms that are staggered and deferred over a period of not more than 18 months with an option to off-set the Final Payment with properties; and
- (d) it serves as a platform for LBGB Group to venture and participate other future potential property development in Iskandar Malaysia.

## **7. Salient Terms of Agreement**

### **a) Landowner’s Entitlement**

The Landowner shall be entitled to the sum of Ringgit Malaysia Forty Two Million (RM42,000,000-00) only as the consideration of the joint venture (“Landowner’s Entitlement”).

The Landowner’s Entitlement shall be satisfied in the following manners:-

1.	Upon the execution of this Agreement (“First Payment”)	RM1,000,000.00
2.	Within one (1) month from the date of execution of the Agreement and removal of existing encumbrances (“Second Payment”)	RM7,000,000.00
3.	Within three (3) months from the date of fulfillment of all the conditions precedent of the Agreement (“Third Payment”)	RM22,000,000.00
4.	Within Twelve (12) months from the date of Third	RM12,000,000.00

	Payment shall be settled by way of cash and/or contra of properties (“Final Payment”)	
	TOTAL	RM42,000,000.00

**b) SRSB’s Entitlement**

Subject to the provisions as contained in the Agreement, the Parties agree that the Development Land shall be transferred to the SRSB and SRSB shall be entitled to all the rights, title and interest in the Proposed Development and entitled to all properties to be constructed in the Proposed Development and any proceeds howsoever derived from the Development Land.

**c) Transfer of the Development Land Title**

The land title shall be transferred to SRSB upon the settlement of the First and Second Payment.

**d) Condition Precedent**

The Agreement is conditional upon the Landowner has fulfilling the following conditions within three (3) months from the date of the Agreement and any extension of time as the Parties may mutually agree:-

- (a) the clearance of all encumbrances on the Development Land; and
- (b) the deposit of the executed Memorandum of Transfer for the Development Land in favour of SRSB with the SRSB’s Solicitor as stakeholder.

In the event that the Landowner is unable to fulfill all the conditions precedent in the Agreement within the specified time period or any extended period, the parties hereby agree as follows:-

- (i) That the First Payment shall be deemed as a debt due and owing to SRSB; and
- (ii) That the title of the Development Land shall be utilised as collateral as security for the repayment of the First Payment and Second Payment.

**8. Rationale of the Agreement**

The Proposed Development which sits on a freehold land presents an opportunity for the Company to have development in prime location with favourable deferred payment terms of not more than 18 months to match the cash flows from the Proposed Development. It is also in line with the overall Group’s strategy to enlarge its land banks in different states in the country, especially in the Central Business District of Johor Bahru which is within Zone A of Iskandar Malaysia, to meet and tap on the increasing demand from its properties in Johor.

The Proposed Development is expected to generate an estimated gross development value of approximately RM500 million, which will in turn contribute positively to the Group’s future revenue stream and profitability. Located within in the Johor Bahru City Centre and with good access and connectivity to Singapore via Causeway, the management is confident that the Proposed Development will be well received due to its superb locality.

The Proposed Development which is expected to be commenced in early 2014 enable the Group to make fast turnaround on the Development Land which benefits both the purchasers as well as the Company.

**9. Financial Effects**

**(a) Issued and Paid-up Capital and Substantial Shareholders’ Shareholdings**

The Agreement will not have any effect on the issued and paid-up share capital of the Company as well as its substantial shareholder and their shareholdings.

**(b) Net Assets (“NA”), Gearing and Earnings**

The Agreement is not expected to have any material impact on the NA, Gearing and Earnings of the Group for the financial year ending 31 December 2013.

**10. Risk Factors**

The Board is not aware of any material risk factors arising from the Proposed Development other than the risks and uncertainties that are generally associated with the property development and construction industries, such as changes in political, economic and regulatory conditions, shortage of labour and building materials, increase in labour and material costs, changes in credit and interest rate conditions, inflation and natural disaster that may affect the financial and operational conditions and the profitability of LBGB subsequently.

Although LBGB seeks to limit these risks by taking more stringent internal controls over the business operations of the Group, no assurance can be given that any changes in these factors will not have any adverse impact on the business, prospects and/or future financial performance of the Group.

**11. Directors’ and Substantial Shareholders’ Interest**

None of the Directors, substantial shareholders of LBGB and or persons connected with them has any interest, direct or indirect, in the Agreement.

**12. Approval Required and Percentage Ratio Applicable**

The Agreement is not subject to the approval of LBGB’s shareholders. The highest percentage ratio pursuant to paragraph 10.02(g) of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) for this Acquisition is 9.44%. This announcement is made pursuant to Paragraph 10.06 of the LR of Bursa Malaysia.

**13. Statement by Directors**

After having considered all aspects of the Agreement, the Board of Directors of LBGB is of the opinion that the Agreement is fair, reasonable and in the best interest of LBGB Group.

**14. Documents Available for Inspection**

Copy of the Agreement is available for inspection at the Registered Office of LBGB at Plaza Seri Setia, Level 1-4, No. 1, Jalan SS9/2, 47300 Petaling Jaya, Selangor during normal office hour from Monday to Friday (except for public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 8 July 2013.