

NON-RELATED PARTY TRANSACTION – SUPPLEMENTARY AGREEMENT IN RELATION TO THE JOINT VENTURE AGREEMENT BETWEEN HOCK HENG REALTY SDN. BHD. AND TL GROUP RESOURCES SDN. BHD. TO DEVELOP A LAND HELD UNDER GM 3988, LOT 1532, MUKIM KAPAR, DAERAH KLANG, SELANGOR DARUL EHSAN

(Unless otherwise defined, capitalised terms used in this announcement have the same meanings as those given to them in the announcement dated 2 August 2021 in relation to the Joint Venture.)

The Board of Directors of DFCITY wishes to announce that HHR had, on 13 April 2022, entered into a Supplementary Agreement dated 13 April 2022 with Landowner to vary the terms of the JVA in light of certain challenges in procuring the necessary approvals from the relevant authorities on the proposed development of the Project (“**Supplementary Agreement**”).

1. SALIENT TERMS OF THE SUPPLEMENTARY AGREEMENT

- (a) The Parties hereby agree that the proposed development of the Project of Twenty-One (21) factory lots be varied to the construction of Fifteen (15) units of commercial lots and the Developer shall be not be required:-
 - (i) to procure the approval of the conversion of category of land use of the Land from “Bangunan” to “Perindustrian” and both Parties agree that the category of land use shall remain unchanged; and
 - (ii) to secure a loan facility to discharge the existing charge in favour of Hap Seng Credit Sdn. Bhd. (hereinafter referred to as “**the Chargee**”)
- (b) The total consideration payable by the Developer to the Landowner shall be as follows:-
 - (i) The sum of RM26,000,000.00 (Ringgit Malaysia: Twenty-Six Million) only (hereinafter referred to as “**the Land Cost**”); and
 - (ii) The sum equivalent to thirty per centum (30%) of the Balance Profit (hereinafter referred to as “**the Landowner’s profit**”).
- (c) The Landowner agrees that the Land Cost equivalent amount to be utilised and set off against the Purchase Price for the Landowner’s Units up to RM26,000,000.00 (Ringgit Malaysia: Twenty-Six Million) only (hereinafter referred to as “**the Contract Sum**”).
- (d) The Parties hereby agrees that the Land Cost also included the redemption sum due to the Landowner’s Chargee, whereby the Developer shall pay the Advances and fully settle the redemption sum to assist the Landowner to redeem the Land. The Developer shall redeem the Land on behalf of the Landowner upon the Developer obtaining the Approved Development Order on or before October 2024, whichever earlier; failure of which the Developer shall bear all the monthly repayment instalments together with all interest accrued therefrom until the actual date of the settlement of the redemption sum to the Landowner’s Chargee.
- (e) The Developer shall advance on behalf of the Landowner, the sum of RM17,380,052.00 (Ringgit Malaysia: Seventeen Million Three Hundred Eighty Thousand and Fifty-Two) only together with any interest accrues in the Hap Seng Loan Facility to settle redemption sum of the Land to the Landowner’s Chargee. Upon the redeeming the Land, in the event of any excess redemption sum paid by through the Advances, the Landowner shall refund the same to the Developer within seven (7) days from the date of their receipt of the same from the Chargee (hereinafter referred to as “**the Advances**”).
- (f) The Profit shall be distributed in the following manner:

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- (i) Initial sum of RM10,000,000.00 (Ringgit Malaysia: Ten Million) only to the Developer;
- (ii) The remaining of the Profit (“Balance Profit”) to be paid shared between the Developer and the Landowner in the proportion describe as follows:-
 - Developer – Seventy per centum (70%)
 - Landowner – Thirty per centum (30%)
- (g) The Developer shall distribute the Profit within three (3) months after the completion of all Completion Accounts.

2. RATIONALE OF THE SUPPLEMENTARY AGREEMENT

The Supplementary Agreement present an avenue to vary the terms of the JVA in light of certain challenges in procuring the necessary approvals from the relevant authorities on the proposed development of the Project.

3. FINANCIAL EFFECTS

3.1 Share capital and shareholdings of substantial shareholders

The Supplementary Agreement will not have any effect on the issued share capital of DFCITY nor on DFCITY’s substantial shareholders’ shareholdings in the Company as it does not involve the issuance of DFCITY shares.

3.2 Net Assets, Net Assets per share and gearing

The Supplementary Agreement is not expected to have any material effect on the net assets, net assets per share and gearing of the Group for the financial year ending 31 December 2022.

3.3 Earnings and Earnings Per Share

The Supplementary Agreement is not expected to have any material effect on the Group’s earnings and earnings per share for the financial year ending 31 December 2022 but is expected to contribute positively to the Group’s future earnings and the Company’s earnings per share.

4. APPROVAL REQUIRED

The Board of Directors is of the opinion that the Supplementary Agreement is in the ordinary course of business of HHR and hence the Supplementary Agreement is not subject to the approval of shareholders.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of the Company and/or persons connected to them has any interest, direct or indirect, in the Supplementary Agreement.

DFCITY GROUP BERHAD [REGISTRATION NO. 200801038692 (840040-H)] (“DFCITY” OR THE “COMPANY”)

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6. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of the Company, having reviewed and considered the terms and conditions of the Supplementary Agreement, is of the opinion that the Supplementary Agreement is in the best interest of the Company and the terms and conditions of the Supplementary Agreement are fair, reasonable and on terms that are not detrimental to the minority shareholders of the Company.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Supplementary Agreement dated 13 April 2022, will be made available for inspection at the Company's registered office at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 13 April 2022.