



(Company No. : 380100-D)

JOINT VENTURE AGREEMENT ENTERED BETWEEN KOTA EKSPRES SDN BHD AND GREENLAND MALAYSIA URBAN DEVELOPMENT SDN BHD

1. INTRODUCTION

We refer to our announcement on 11 February 2015 in relation to the Heads of Agreement entered between Kota Ekspres Sdn Bhd (“**KESB**”) and Greenland Malaysia Urban Development Sdn Bhd (“**GREENLAND**”) (collectively, “**Shareholders**”).

Further thereto, the Board of Directors of Knusford Berhad (“**KB**”), is pleased to announce that our wholly-owned subsidiary, KESB had on 25 June 2015 entered into a Joint Venture Agreement (“**JVA**”) with GREENLAND. For the purpose of undertaking this joint venture, a joint venture company (“**JV Company**”) with the proposed name of “GREENLAND KNUSFORD CONSTRUCTION SDN BHD” shall be established to jointly undertake the Works (as defined hereunder).

The purpose of the JVA is for KESB and GREENLAND to set out the terms which will govern the objectives of this joint venture and to regulate their rights, commitments and relationship as shareholders of the JV Company.

2. DETAILS OF THE PARTIES TO THE JVA

KOTA EKSPRES SDN BHD

KESB, a wholly-owned subsidiary of KB, was incorporated on 27 August 2012, with its registered address at Ground Floor, Wisma Ekovest, No. 118, Jalan Gombak, 53000 Kuala Lumpur, Wilayah Persekutuan. KESB, which is currently dormant, has an authorised share capital of RM 100,000.00 comprising of 100,000 ordinary shares of RM 1.00 each of which 2 shares have been issued and paid up.

GREENLAND MALAYSIA URBAN DEVELOPMENT SDN BHD

GREENLAND is a company incorporated in Malaysia and having its registered address at Level 20-05, Menara Landmark, 12, Jalan Ngee Heng, 80000, Johor Bahru, Johor with the objective of engaging in the construction of other engineering projects. GREENLAND has an authorised share capital of RM 1,000,000.00 comprising of 1,000,000 ordinary shares of RM 1.00 each, all of which have been issued and paid up.

GREENLAND is a subsidiary of Shanghai Greenland Construction (Group) Co., Ltd, a company incorporated in the People’s Republic of China and having its correspondence address at No. 180, Shuidian Road, Shanghai, People’s Republic of China. The Greenland Group is a state-owned mega enterprise group in Shanghai, China with the diversified business operations mainly in energy, finance, real estate and property development.



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3. INFORMATION OF JV COMPANY

(a) The objectives of this joint venture are as follows:

- (i) negotiating for and concluding contracts for construction projects for public and/or private sectors in Malaysia and/or such other countries as the Shareholders deem fit, and the execution, performance and implementation of such construction works. ("**Works**")
- (ii) carry out the Works with a view to maximize profits.

(b) Shareholders contribution

(i) Equity contribution

Within one (1) month from the date of incorporation of the JV Company, KESB and GREENLAND shall cause the total issued and paid-up share capital of the JV Company to be Ringgit Malaysia Seven Hundred and Fifty Thousand (RM750,000.00) only divided into 750,000 Shares and held in the following proportions unless varied by the unanimous agreement of KESB and GREENLAND ("**Agreed Proportion**"):

Party	Equity Contribution (RM)	Percentage (%)
KESB	337,500.00	45
GREENLAND	412,500.00	55

The ordinary shares of the JV Company shall be issued at RM1.00 each with the Agreed Proportion.

(ii) Ratio of Ordinary Shares and Redeemable Preference Shares ("**RPS**")

Any issuance of additional Ordinary Shares and/or RPS in the JV Company shall always be maintained in the Agreed Proportion.

(iii) The salient terms of RPS, are as follow:-

- The Issue Price for each of the RPS is RM1.00 comprising its nominal value of RM0.01 with a premium of RM0.99;
- RPS is not convertible;
- The return on capital calculated is based on a cumulative (non-compounded) annual growth rate of 6% on the Paid-Up Amount of that RPS from the Issue Date until the date of such redemption;



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- The JV Company in its sole discretion, may at any time up the fifth anniversary of the Issue Date redeem the RPS by notice in writing to the holder(s) thereof.

4. SALIENT TERMS OF THE JVA

The following are the salient terms of the JVA

4.1 Interest in Agreed Proportion

KESB and GREENLAND mutually agree that the following, amongst others, shall be based on the Shareholders' shareholding in the Agreed Proportion:

- (i) obligations and financial contributions, working capital in connection with the contracts for the Works and performance thereof;
- (ii) obligations to any and all liabilities assumed and losses, costs incurred in connection with the contracts for the Works and performance thereof; and
- (iii) obligation to execute all applications, guarantees, and indemnity agreements required by sureties on any bond(s) required in connection with the bid, contracts for the Works and performance thereof.

4.2 Working Capital and funding

GREENLAND and KESB mutually agree that they shall fund and finance the working capital of the JV Company in accordance with the Agreed Proportion vide shareholders' advances which shall be capitalized as RPS. Where any security is required to be provided for any loan or credit facilities granted by the banks or financial institutions to the JV Company, such security shall be provided severally, based on the Agreed Proportion. In the event any security is required to be joint and several, then the relevant Shareholder shall provide indemnities acceptable to the other Shareholder.

5. RATIONALE AND PROSPECTS FOR THE JOINT VENTURE

The Parties seek to optimise the combined strengths of each partner in their respective fields. The Joint venture is in line with the expansion plan of KB to leverage on the potential growth in the construction business arising from the growth of this sector in Malaysia and other identified countries.

The joint venture is expected to contribute positively to the profitability and growth of KB's Group in the future. Furthermore the joint venture will serve as a platform for KB Group to provide construction and related services to new customer whom the KB Group is not able to serve with its current ability.



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6. PERCENTAGE RATIO

The highest percentage ratio applicable to the KB's proposed equity participation in the JV Company as per para 10.02(g) Chapter 10 of Bursa Malaysia Securities Berhad Main Market Listing Requirement is 0.11% being the aggregate value of the proposed shares subscription in JV Company to the net assets of the KB Group based on the Company latest consolidated audited financial statements for the financial year ended 31 December 2014.

7. RISK

The risk related to the transaction in connection with the joint venture is typical to any commercial contract. This includes a breach or non-performance of the JV Company or other obligations of the Shareholders under the joint venture.

Further, the main purpose of the JV Company is to seek for and undertake new construction projects. KB is already operating in the construction industry and is already exposed to construction industry related risks.

8. SOURCE OF FUND

KB Group will fund its investment in the JV Company through its internally generated funds. Further investments in the JV Company, when necessary, shall be financed via internally generated funds and/or bank borrowings.

9. FINANCIAL EFFECTS OF THE JOINT VENTURE

The JVA is not expected to have any material effects on the earning per share, net assets per share, gearing, share capital and substantial shareholders' shareholdings of KB Group for the financial year ending 31 December 2015.

However, any future construction projects secured by the JV Company is expected to contribute positively to the future earnings and profitability of the KB group.

10. APPROVALS REQUIRED

The JVA is not subject to the approval of the shareholders of KB or any regulatory authorities.

11. INTEREST OF MAJOR SHAREHOLDERS AND DIRECTORS

None of the directors and/or major shareholders of KB and/or persons connected to them have any interest, direct or indirect, in the JVA.

12. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of KB is of the opinion that the joint venture is in the best interest of KB Group.



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13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the JVA is available for inspection at the registered office of the Company located at Ground Floor, Wisma Ekovest, No. 118, Jalan Gombak, 53000 Kuala Lumpur during the normal business hours from Mondays to Fridays (except Saturdays, Sundays and Public Holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 25 June 2015