

KNUSFORD BERHAD (“KNUSFORD” OR THE “COMPANY”)

EXECUTION OF HEADS OF MERGER AGREEMENT BETWEEN KNUSFORD AND EKOVEST BERHAD (“EKOVEST”)

1. INTRODUCTION

Reference is made to the Company’s announcement on 27 September 2023 whereby the Company had on even date received a letter dated 27 September 2023 (“**Proposal Letter**”) from Tan Sri Dato’ Lim Kang Hoo (“**TSDLKH**”), a major shareholder of the Company and the Group Executive Chairman and a major shareholder of Ekovest, requesting the Company to consider participating in a reorganisation, rationalisation and merger proposal comprising, amongst others, the proposed merger of the construction and construction-related businesses of Ekovest and Knusford through the acquisition of the entire issued share capital of Ekovest Construction Sdn Bhd (“**ECSB**”) (i.e. a wholly-owned subsidiary of Ekovest, being the existing construction arm of Ekovest) by Knusford (“**Proposed Knusford-ECSB Merger**”).

Following thereto, the Board of Directors of Knusford (“**Board**”) wishes to announce that the Company had on 27 October 2023 entered into a binding heads of merger agreement (“**Heads of Merger Agreement**”) with Ekovest to exclusively explore and negotiate further on the Proposed Knusford-ECSB Merger via the proposed acquisition by Knusford of the entire equity interest in ECSB from Ekovest for an indicative purchase consideration of RM450 million (“**Purchase Consideration**”), which was arrived at on a willing-buyer, willing-seller basis, after taking into account the audited net assets of ECSB as at 30 June 2023.

The Purchase Consideration shall be satisfied by Knusford on an agreed completion date of the Proposed Knusford-ECSB Merger (“**Completion Date**”) via the allotment and issuance of such number of new ordinary shares in Knusford (“**Knusford Shares**”) to Ekovest (or its nominee(s)) at an indicative issue price of RM0.60 per Knusford Share (“**Issue Price**”) (“**Consideration Shares**”).

For the avoidance of doubt, the Proposed Knusford-ECSB Merger is conditional upon, among others, the execution of the relevant definitive agreement(s) between the Company and Ekovest (collectively, “**Parties**”) (“**Definitive Agreement**”) within the agreed timeline stipulated in the Heads of Merger Agreement.

2. INFORMATION ON EKOVEST AND ECSB

Ekovest, incorporated in Malaysia on 2 January 1985, is a public company listed on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”). As at the date of this announcement, Ekovest has an issued share capital of approximately RM1.139 billion comprising 2,965,410,802 ordinary shares in Ekovest.

Ekovest and its group of companies (“**Ekovest Group**”) are principally involved in investment holding (including Ekovest’s 61.66% equity interest in PLS Plantations Berhad, a company listed on the Main Market of Bursa Securities), civil engineering and construction works (through ECSB), property development and property investment, toll operations, renewable energy activity, and sales of food and beverage.

ECSB, incorporated in Malaysia on 29 October 1992, is a wholly-owned subsidiary of Ekovest. ECSB is principally involved in civil engineering and construction works such as turnkey, design and build projects and project management. ECSB has the track record of completing infrastructure and civil construction related works with total contracts value of more than RM10 billion to-date. Key projects completed by ECSB to-date include (i) Kuala Lumpur Sentral Commuter Station, together with the joint venture partner namely KMZ-Drages; (ii) Kuala Lumpur International Airport central terminal roads and structure; (iii) superstructure works on the 4 blocks of 12-storey apartment known as ‘Danga View Apartment’; (iv) retail mall, a single storey longitudinal building with 274 lots for retail business and a main courtyard for events and functions known as ‘Festive Street Mall’; (v) 6 blocks of 3 and 4-storey shop/office known as ‘Danga Walk Shop Office’ in Danga Bay, Johor Bahru, Johor; (vi) EkoCheras Mall and mixed development in EkoCheras; (vii) Labuan Financial Park,

University Malaysia Sabah; and (viii) Kuala Lumpur City Centre (KLCC) fit out. In addition, ECSB is also the turnkey contractor for key infrastructure concessions projects such as the design and construction of the 18 km expressway known as the Duta-Ulu Kelang Expressway (“**DUKE**”); the design and construction of Phase 2 of DUKE; and the design, building and construction of the 29.8 km expressway known as the Setiawangsa-Pantai Expressway (SPE) (previously known as Phase 3 of DUKE).

For shareholders’ information, there are existing inter-company debts between (i) Ekovest and ECSB; and (ii) ECSB and Knusford, which will be settled before the completion of the Proposed Knusford-ECSB Merger (“**Proposed Group Debts Settlement**”). Further details on the Proposed Group Debts Settlement will be made prior to or upon execution of the Definitive Agreement for the Proposed Knusford-ECSB Merger.

3. RATIONALE FOR THE PROPOSED KNUSFORD-ECSB MERGER

Ekovest, through ECSB, has been subcontracting its construction works to Knusford and its group of companies (“**Knusford Group**”), as well as purchasing machinery, equipment and building materials, and renting machinery and equipment from the Knusford Group.

Although ECSB and Knusford operate at different parts of the construction value chain (i.e. ECSB being a main/turnkey contractor and Knusford being a subcontractor), the Proposed Knusford-ECSB Merger serves to consolidate the construction and construction-related businesses currently owned and controlled by TSDLKH and the persons acting in concert (“**PACs**”) with him through Knusford and Ekovest, and to mitigate potential conflict of interests and speculations relating to the alignment of interest of TSDLKH as a major shareholder and the largest shareholder of both Knusford and Ekovest.

The Proposed Knusford-ECSB Merger is also aimed at eliminating many of the existing recurrent related party transactions between the two groups moving forward.

Further, the combination of both construction divisions of Knusford and Ekovest under one roof will also result in synergistic benefits (i.e. consolidation of resources, workforce and technical expertise of both groups) and further strengthen the order book, financial position and prospects of the combined construction group.

4. SALIENT TERMS OF THE HEADS OF MERGER AGREEMENT

(a) Purchase Consideration and Issue Price

- (i) The Purchase Consideration was arrived at on a willing-buyer, willing-seller basis, after taking into account the audited net assets of ECSB as at 30 June 2023.
- (ii) The Purchase Consideration shall be satisfied by Knusford on the Completion Date via the issuance and allotment of the Consideration Shares to Ekovest or its nominee(s) (if any) at the Issue Price. The Issue Price represents a 22.18% discount to the five (5)-day volume-weighted average market price (“**VWAP**”) of Knusford Shares up to and including 26 September 2023, being the last full trading day prior to the receipt of the Proposal Letter by the Board of RM0.7710.

For information, TSDLKH had also vide the Proposal Letter, proposed to the Company to undertake a share split exercise prior to the completion of the Proposed Knusford-ECSB Merger. Upon taking into consideration the potential corporate exercises that may be undertaken by the Company which may includes a bonus issue and/or share split (of which the details will be announced by the Company in due course), the Issue Price will be equals or at a premium to the Knusford’s adjusted consolidated net assets per share as at 31 March 2023.

For information, the Issue Price represents a 27.66% discount to the 5-day VWAP of Knusford Shares up to and including 26 October 2023, being the last full trading day prior to the signing of the Heads of Merger Agreement of RM0.8294.

(b) Conditions Precedent

The obligations of the Parties in respect of the Proposed Knusford-ECSB Merger are conditional upon the Parties entering into the Definitive Agreement and the following conditions precedent and such other conditions precedent to be set out in the Definitive Agreement being obtained/fulfilled or waived (as the case may be and to the extent permissible by law) within such period as shall be agreed upon by the Parties and stipulated in the Definitive Agreement:

- (i) Knusford being satisfied at its absolute discretion with the results of the due diligence on ECSB and/or such other companies or assets that may be transferred pursuant to the Proposed Group Debts Settlement (if any) (collectively, the “**Target Group**”);
- (ii) Ekovest being satisfied at its absolute discretion with the results of the due diligence on the Knusford Group;
- (iii) Ekovest having obtained an exemption from the Securities Commission Malaysia under subparagraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions from the obligation of Ekovest and its PACs to undertake a mandatory take-over offer to acquire all the remaining securities in Knusford not already owned by them upon the Definitive Agreement becoming unconditional, where required (“**Proposed Exemption**”);
- (iv) Knusford having obtained the approval of its shareholders at an extraordinary general meeting (“**EGM**”) to be convened for the Proposed Knusford-ECSB Merger and the issuance of the Consideration Shares to Ekovest or its nominees(s) (if any) in accordance with the terms and conditions of the Definitive Agreement, and where required, the Proposed Exemption, the waiver of the pre-emptive rights by the shareholders of Knusford as provided under section 85(1) of the Companies Act and the executions of the Heads of Merger Agreement and the Definitive Agreement;
- (v) Ekovest having obtained the approval of its shareholders at an EGM to be convened for the Proposed Knusford-ECSB Merger in accordance with the terms and conditions of the Definitive Agreement, and where required, the executions of the Heads of Merger Agreement and the Definitive Agreement;
- (vi) Ekovest having obtained the approval or consent of the financiers/creditors of the Target Group for the Proposed Knusford-ECSB Merger, where required;
- (vii) Ekovest having obtained the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving the Target Group, where required;
- (viii) Knusford having obtained the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, where required;
- (ix) completion of the Proposed Group Debts Settlement;
- (x) any other approvals, waivers or consents of any authorities or parties as may be required by law or regulation or deemed necessary by the Parties; and
- (xi) such other conditions precedent as shall be mutually agreed by the Parties and stipulated in the Definitive Agreement.

- (c) Execution of Definitive Agreement and exclusivity period
- (i) The Parties shall use their best endeavours and efforts to negotiate in good faith and execute the Definitive Agreement within four (4) months following the date of the Heads of Merger Agreement, with an automatic extension of three (3) months upon the expiry of such four (4) months period, or such further extended date as the Parties may mutually agree upon (“**Expiry Date**”).
 - (ii) If the Definitive Agreement together with such other agreements as the parties may agree upon are not executed by the Expiry Date, and if neither party elects to take such action in law as may be necessary to seek to compel the other party by way of specific performance to enter into the Definitive Agreement and to undertake the Proposed Knusford-ECSB Merger, the Heads of Merger Agreement shall terminate. Upon termination of the Heads of Merger Agreement, no party shall have any continuing obligation as provided in the Heads of Merger Agreement to the other save for any antecedent breaches or outstanding obligations as provided in the agreement.
 - (iii) The Parties agree, covenant and undertake that they will not, and will ensure that their related corporations will not, directly or indirectly (whether jointly or in conjunction with another party), initiate, solicit or entertain any discussion, negotiation, agreement or arrangement or otherwise deal in any way with any other person other than the other party in connection with the Proposed Knusford-ECSB Merger at any time prior to the Expiry Date.

5. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTEREST

TSDLKH being a major shareholder of the Company, is also the Group Executive Chairman and a major shareholder of Ekovest.

Lim Chen Heng is an Executive Director of the Company. He is also person connected to TSDLKH.

Lim Chen Thai being an Executive Director of the Company, is also an Executive Director of Ekovest. He is also the person connected to TSDLKH.

Lim Sew Hua is an Executive Director of the Company. She is also person connected to TSDLKH.

Dato’ Lim Kang Swee being one of the major shareholders, is deemed connected to TSDLKH.

Kinston Park Sdn Bhd and Aman Setegap Sdn Bhd are major shareholders of the Company. TSDLKH is a Director and major shareholder in both companies. They are deemed connected to TSDLKH.

DYAM Tunku Ismail Ibni Sultan Ibrahim (“**DYAM Tunku Ismail**”), Chairman and Non-independent Non-executive Director being the shareholder and director in Aman Setegap Sdn Bhd, is deemed connected to TSDLKH.

Datuk Mohamad Jaifuddin bin Bujang Mohidin (“**Datuk Jaifuddin**”), alternate director to DYAM Tunku Ismail, is deemed connected to TSDLKH.

Accordingly, persons connected with TSDLKH (i.e. Lim Chen Heng, Lim Chen Thai, Lim Sew Hua, DYAM Tunku Ismail and Datuk Jaifuddin) have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Knusford-ECSB Merger (including the entry into the Heads of Merger Agreement and the Definitive Agreement) and the Proposed Exemption.

TSDLKH will abstain and procure persons connected with him to abstain from voting in respect of their direct and/or indirect interest, if any, in the Company on the resolutions pertaining to the Proposed Knusford-ECSB Merger and the Proposed Exemption to be tabled at the EGM to be convened.

A detailed announcement on the Proposed Knusford-ECSB Merger in accordance with Chapter 10 of the Main Market Listing Requirements of Bursa Securities will be made upon execution of the Definitive Agreement.

Astramina Advisory Sdn Bhd ("**Astramina Advisory**") has been appointed as the Transaction Arranger to the Company for the Proposed Knusford-ECSB Merger. Astramina Advisory is the appointed Financial Advisor to TSDLKH in relation to the Proposal Letter and also the appointed Financial Advisor to Ekovest in relation to the Proposed Knusford-ECSB Merger.

The Company will be appointing other relevant advisers including the Principal Adviser, independent adviser and valuer (if required) for the Proposed Knusford-ECSB Merger and Proposed Exemption in due course.

This announcement is dated 27 October 2023.