

## KNUSFORD BERHAD ("KNUSFORD" OR THE "COMPANY")

### HEADS OF AGREEMENT ENTERED INTO BETWEEN ISKANDAR WATERFRONT CITY BERHAD AND KNUSFORD

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#### 1. INTRODUCTION

The Board of Directors of Knusford ("**Board**") wishes to announce that Knusford had on 13 May 2022 entered into a Heads of Agreement ("**HOA**") with Iskandar Waterfront City Berhad ("**IWCB**") to commence negotiations to explore and pursue the proposed acquisition by Knusford or its nominee(s) from Success Straits Sdn Bhd ("**SSSB**"), a wholly owned subsidiary IWCB, of two pieces of vacant land held under:

- (a) Geran Hakmilik No. 90571, Lot No. 726, measuring 5.581 acres in area; and
- (b) Geran Hakmilik No. 90585, Lot No. 733, measuring 4.269 acres in area,

both located in the Mukim of Pulau, District of Johor Bahru, State of Johor ("**Subject Properties**"), for a consideration to be determined at a later date following a valuation exercise to be conducted ("**Proposed Acquisition**").

Pursuant to the HOA, SSSB and Knusford or its nominee(s) shall enter into sale and purchase agreement(s) in respect of the Subject Properties and such other agreements or documents as may be required in order to give effect to the Proposed Acquisitions ("**Definitive Agreement**") within 60 days following the date of the HOA, with an automatic extension of 30 days upon the expiry of such 60 days period, or such further extended date as may be mutually agreed in writing by the parties ("**Expiry Date**"). An announcement pertaining to the salient terms of the Definitive Agreement will be made upon signing of the Definitive Agreement.

In addition to the above, the Company will make the necessary announcement(s) to Bursa Malaysia Securities Berhad ("**Bursa Securities**") in relation to further information of the Proposed Acquisition upon signing of the Definitive Agreement.

The Proposed Acquisition is deemed as a related party transaction ("**RPT**") pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"). Details of the interests of the directors and major shareholders of Knusford and/ or persons connected with them in relation to the Proposed Acquisition are set out in **Section 10** of this announcement.

#### 2. SALIENT TERMS OF THE HOA

The parties agree that the Proposed Acquisition shall be implemented by the parties in the following manner and in accordance with the following terms and conditions:-

##### 2.1 Proposed Acquisition

IWCB shall procure SSSB to sell/dispose of and Knusford or its nominee(s) shall purchase/acquire the Subject Properties free from all claims, liens, charges and encumbrances, subject to all restrictions in interest and conditions of title, whether express or implied, affecting the Subject Properties, for an aggregate indicative sale and purchase consideration in the region between RM 90 million to RM 95 million, the actual sales and purchase consideration of , which shall be subject to valuations by the Valuers (as hereinafter defined) and the adjustment provisions to be set out in the Definitive Agreement.

IWCB and Knusford agree and covenant that, following the execution of the HOA, an independent firm of valuer shall be appointed by IWCB and Knusford (“Valuers”) for the purpose of ascribing inter alia the market value of the Subject Properties and determining the actual sale and purchase consideration of the Subject Properties.

The sale and purchase consideration of the Subject Properties may be satisfied by Knusford or its nominee(s) in cash and/or via set-off against any amount owing and payable by IWCB and its group of companies to Knusford and its group of companies as at the date of the Definitive Agreement.

## **2.2 Conditions Precedent**

The obligations of the parties in respect of the Proposed Acquisition are conditional upon IWCB, SSSB and/or Knusford, entering into the Definitive Agreement and the Conditions Precedent being obtained and fulfilled, including but not limited to the approval of the shareholders of IWCB and Knusford in the general meetings in respect of the Proposed Acquisition, within 3 months after the date of the Definitive Agreement, or such other date as the parties may mutually agree upon in writing.

Each party shall co-operate and use their respective reasonable best endeavours to obtain the approvals and consents described in the Conditions Precedent and any other approvals of any authorities or parties deemed necessary by the parties.

## **2.3 Due diligence and valuation exercise**

Knusford shall, forthwith after the execution of the HOA, embark on a due diligence and valuation exercise in respect of the legal status, market value and other affairs of the Subject Properties at its own costs and expenses.

IWCB shall:-

- i. extend all reasonable assistance to cooperate with and assist Knusford in carrying out the due diligence and the valuation exercise; and
- ii. ensure that Knusford and its agents, representatives, accountants, valuers and solicitors are given on request all such facilities, access and information regarding the Subject Properties as may be required for the purposes of the due diligence and the valuation exercise.

## **2.4 Negotiation and execution of Definitive Agreement**

The parties shall use their best endeavours and efforts to negotiate in good faith and execute the Definitive Agreement, together with such other agreements as the parties may agree upon pursuant to the further advice of their respective legal counsels, by the Expiry Date.

If the Definitive Agreement together with such other agreements as the parties may agree upon are not executed by the Expiry Date, the HOA shall terminate. Upon termination of the HOA, no party shall have any continuing obligation as provided in the HOA to the other save for any antecedent breaches or outstanding obligations as provided in the HOA.

### 3. BASIS OF THE CONSIDERATION

The purchase consideration for the Proposed Acquisition is subject to further deliberation and shall be determined by the parties at a later date. The purchase consideration shall be based on the market value of the Subject Properties to be assessed by the independent firm of valuer appointed by KB for the purpose of valuing the Subject Properties.

### 4. INFORMATION ON IWCB

IWCB was incorporated on 31 December 1968 in Malaysia under the Companies Act, 1965 and is deemed registered under the Companies Act 2016 as a public limited company under the name of Granite Industries Berhad. It changed its name to Tebrau Teguh Berhad on 10 July 2003 and assumed its present name on 2 July 2014. As at 10 May 2022, being the latest practicable date of this announcement ("**LPD**"), the issued and paid-up share capital of IWCB is RM766,883,505, comprising 921,127,742 ordinary shares.

IWCB is principally an investment holding company and through its subsidiaries, IWCB is engaged in the development of residential and commercial properties and construction.

Set out below are the details of the directors and their respective direct and indirect shareholdings in IWCB as at the LPD:-

Name	Nationality	←-----Direct-----→		←-----Indirect-----→	
		No. of ordinary shares	%	No. of ordinary shares	%
Dato' Hj. Ayub bin Mion	Malaysian	-	-	-	-
Tan Sri Dato' Lim Kang Hoo	Malaysian	5,540,700	0.6	315,846,069 <sup>*1</sup>	34.3
Datuk Lim Keng Guan	Malaysian	-	-	-	-
Wong Khai Shiuan	Malaysian	-	-	-	-
Khoo Boon Ho	Malaysian	-	-	-	-
Tuan Hj. Lukman bin Abu Jari @ Abu Bakar	Malaysian	-	-	-	-
Kang Hui Ling	Malaysian	-	-	-	-
Bernard Hilary Lawrence	Malaysian	-	-	-	-
Lim Chen Heng	Malaysian	-	-	-	-

**Notes:-**

<sup>\*1</sup> Deemed interest pursuant to Section 8 of the Companies Act 2016 ("**Companies Act**") by virtue of his shareholdings in Credence Resources Sdn Bhd.

As at the LPD, the substantial shareholders of IWCB together with their respective direct and indirect shareholdings in IWCB are set out as follows:-

Name	Nationality/ Place of incorporation	←-----Direct-----→		←-----Indirect-----→	
		No. of ordinary shares	%	No. of ordinary shares	%
Iskandar Waterfront Holdings Sdn Bhd	Malaysia	315,846,069	34.3	-	-
Kumpulan Prasarana Rakyat Johor Sdn Bhd	Malaysia	53,595,267	5.8	315,846,069 <sup>*1</sup>	34.3
Credence Resources Sdn Bhd	Malaysia	-	-	315,846,069 <sup>*1</sup>	34.3
Tan Sri Dato' Lim Kang Hoo	Malaysian	5,540,700	0.6	315,846,069 <sup>*2</sup>	34.3

**Notes:-**

<sup>\*1</sup> Deemed interest pursuant to Section 8 of the Companies Act by virtue of its shareholdings in Iskandar Waterfront Holdings Sdn Bhd.

<sup>\*2</sup> Deemed interest pursuant to Section 8 of the Companies Act by virtue of his shareholdings in Credence Resources Sdn Bhd.

**5. INFORMATION ON SSSB**

SSSB, a wholly-owned subsidiary of IWCB, was incorporated on 14 September 2015 in Malaysia under the Companies Act, 1965 as a private limited company. As at the LPD, SSSB has a total issued and paid-up share capital of RM2.00 comprising 2 ordinary shares. SSSB is principally involved in property development since the day of its incorporation.

Set out below are the details of the directors and their respective direct and indirect shareholdings in SSSB as at the LPD:-

Name	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of ordinary shares	%	No. of ordinary shares	%
Wong Khai Shiuan	Malaysian	-	-	-	-
Lim Chen Heng	Malaysian	-	-	-	-
Tan Teow Keat	Malaysian	-	-	-	-

As at the LPD, the substantial shareholders of SSSB together with their respective direct and indirect shareholdings in SSSB as set out as follows:-

Name	Nationality/ Place of incorporation	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Iskandar Waterfront City Berhad	Malaysia	2	100.0	-	-
Iskandar Waterfront Holdings Sdn Bhd	Malaysia	-	-	2	100.0
Kumpulan Prasarana Rakyat Johor Sdn Bhd	Malaysia	-	-	2 <sup>*1</sup>	100.0
Credence Resources Sdn Bhd	Malaysia	-	-	2 <sup>*1</sup>	100.0
Tan Sri Dato' Lim Kang Hoo	Malaysian	-	-	2 <sup>*2</sup>	100.0

**Note:-**

<sup>\*1</sup> Deemed interest pursuant to Section 8 of the Companies Act by virtue of its shareholdings in Iskandar Waterfront Holdings Sdn Bhd.

<sup>\*2</sup> Deemed interest pursuant to Section 8 of the Companies Act by virtue of his shareholdings in Credence Resources Sdn Bhd.

**6. INFORMATION ON SUBJECT PROPERTIES**

The Subject Properties are located within Kampung Tanjung Danga on the western part of Johor Bahru next to Lebuh raya Sultan Iskandar (which is also known as the Iskandar Coastal Highway), which is located approximately 13 kilometers to the west of Johor Bahru city centre.

It is presently accessible from Johor Bahru city center via Skudai Highway before exiting onto Lebuh raya Sultan Iskandar and finally exiting to Jalan Sungai Temon Asli Danga. Sungai Danga is located to the immediate north of the Subject Properties. The Johor – Singapore Causeway that links the city of Johor Bahru across the Straits of Johor to Woodlands in Singapore is located approximately 12 kilometers due south-east of the Subject Properties.

Further details on the Subject Properties are set out below:-

	<b>Subject property 1</b>	<b>Subject property 2</b>
<b>Postal address/ identification</b>	Geran Hakmilik No. 90571, Lot No. 726, Mukim of Pulau, District of Johor Bahru, State of Johor	Geran Hakmilik No. 90585, Lot No. 733, Mukim of Pulau, District of Johor Bahru, State of Johor
<b>Registered owner</b>	SSSB	
<b>Locality</b>	Kampung Tanjung Danga	
<b>Mukim</b>	Pulai	
<b>District</b>	Johor Bahru	
<b>State</b>	Johor	
<b>Titled land area (acres)</b>	5.581	4.260
<b>Category of land use</b>	Nil	
<b>Existing use</b>	Vacant	
<b>Express conditions</b>	Nil	
<b>Restriction of interest</b>	Nil	
<b>Tenure</b>	Freehold	
<b>Encumbrances</b>	Nil	
<b>Audited net book value as at 31.12.2021</b>	RM93,381,618.67	
<b>Market value</b>	The market value of the Subject Properties to be assessed by the independent firm of valuer appointed by KB	

## 7. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is intended to increase the Group landbanks in Johor Bahru which could potentially be utilised for future development in view of the upcoming RTS Project. The mode of payment for the Proposed Acquisition, will be via partial settlement of the outstanding amount owing to the Knusford Group.

## 8. EFFECTS OF THE PROPOSED ACQUISITION

The effects of the Proposed Acquisition can only be illustrated upon finalisation of the terms of the Proposed Acquisition via the execution of the Definitive Agreement.

## 9. APPROVALS REQUIRED

The execution of the HOA is not subject to the approvals of the shareholders of Knusford and any relevant authorities.

Nevertheless, the Proposed Acquisition is subject to the following approvals being obtained:-

- (i) Shareholders of Knusford at the general meeting to be convened; and
- (ii) Any other relevant authority, if required.

## 10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED

Save as disclosed below, none of the directors, major shareholders, chief executive of the Company and persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

- i. Tan Sri Dato' Lim Kang Hoo is a major shareholder of Knusford. As at the LPD, he holds 0.62% direct interest and 32.53% indirect interest in Knusford by virtue of his shareholdings in Aman Setegap Sdn Bhd and Kinston Park Sdn Bhd under Section 8 of the Companies Act. He is also the Vice Chairman and is a major shareholder of IWCB. As at the LPD, he holds 0.60% direct interest and 34.29% indirect interest in IWCB by virtue of his shareholdings in Iskandar Waterfront Holdings Sdn Bhd and Credence Resources Sdn Bhd under Section 8 of the Companies Act;
- ii. Aman Setegap Sdn Bhd is a major shareholder of Knusford and is a company controlled by Tan Sri Dato' Lim Kang Hoo;
- iii. Kinston Park Sdn Bhd is a major shareholder of Knusford and is a company controlled by Tan Sri Dato' Lim Kang Hoo;
- iv. Lim Chen Heng is a person connected to Tan Sri Dato' Lim Kang Hoo by virtue of him being the son of Tan Sri Dato' Lim Kang Hoo. He is the Executive Director of Knusford and the Alternate Director to Tan Sri Dato' Lim Kang Hoo in IWCB. As at the LPD, he does not hold any equity interest in Knusford nor IWCB;
- v. Lim Chen Thai is a person connected to Tan Sri Dato' Lim Kang Hoo by virtue of him being the son of Tan Sri Dato' Lim Kang Hoo. He is the Executive Director of Knusford. As at the LPD, he holds 0.06% direct interest in Knusford and does not hold any equity interest in IWCB;
- vi. Lim Sew Hua is a person connected to Tan Sri Dato' Lim Kang Hoo by virtue of her being the sister of Tan Sri Dato' Lim Kang Hoo. She is the Executive Director of Knusford. As at the LPD, she holds 1.35% direct interest in Knusford and does not hold any equity interest in IWCB;
- vii. Lim Foo Seng is the Independent Non-Executive Director of Knusford and the Independent Non-Executive Director of IWCB. As at the LPD, he does not hold any equity interest in Knusford nor IWCB; and
- viii. Bernard Hilary Lawrence is the Senior Independent Non-Executive Director of Knusford and the Independent Non-Executive Director of IWCB. As at the LPD, he does not hold any equity interest in Knusford nor IWCB.

Tan Sri Dato' Lim Kang Hoo, Aman Setegap Sdn Bhd, Kinston Park Sdn Bhd are collectively referred to as "**Interested Major Shareholders**"; whereas Lim Chen Heng, Lim Chen Thai, Lim Sew Hua, Lim Foo Seng and Bernard Hilary Lawrence are collectively referred to as "**Interested Directors**".

Accordingly, Tan Sri Dato' Lim Kang Hoo, Aman Setegap Sdn Bhd, Kinston Park Sdn Bhd, Lim Chen Heng, Lim Chen Thai, Lim Sew Hua, Lim Foo Seng and Bernard Hilary Lawrence (collectively referred to as the "**Interested Parties**") are deemed interested in the Proposed Acquisition.

The Proposed Acquisition is classified as a RPT pursuant to Paragraph 10.08 of the Listing Requirements. In this respect, an independent adviser is required to be appointed to advise the non-interested directors and non-interested shareholders of Knusford as to whether the Proposed Acquisition is fair and reasonable as far as the non-interested directors and non-interested shareholders are concerned and whether the Proposed Acquisition is to the detriment of the non-interested shareholders prior to the execution of the Definitive Agreement.

The Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Acquisition. The Interested Parties will also abstain from voting, and will ensure that persons connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings on the resolutions pertaining to the Proposed Acquisition at the general meeting to be convened.

#### **11. DOCUMENT FOR INSPECTION**

The HOA is available for inspection during normal office hours at the registered office of Knusford at #C-G-03, Blok C, Tropez Residen Persiaran Danga Perdana 80200 Johor Bahru, Johor for a period of 3 months from the date of this announcement.

The shareholders of Knusford should note that there can be no assurance that the Proposed Acquisition, if materialised upon the execution of the Definitive Agreement, the terms and conditions of the HOA will be the same as those in the Definitive Agreement.

Further announcement on the Proposed Acquisition will be made upon finalisation of the terms and conditions of the Proposed Acquisition and execution of the Definitive Agreement in accordance with the Listing Requirements.

**This announcement is dated 13 May 2022.**