YONG TAI BERHAD ("YTB" OR "COMPANY")

JOINT VENTURE AGREEMENT BETWEEN YTB DEVELOPMENT SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF YTB, AND KOF HOLDINGS SDN BHD (FORMERLY KNOWN AS FAHAD HOLDINGS SDN BHD) TO JOINTLY DEVELOP TWO ADJOINING LANDS KNOWN AS LOT 169 AND 170, SECTION 89, JALAN U-THANT, KUALA LUMPUR ("JVA")

1. INTRODUCTION

The Board of Directors of YTB ("Board") wishes to announce that YTB Development Sdn Bhd ("YTB Development"), a wholly-owned subsidiary of YTB, had on 7 April 2017 entered into a joint venture agreement with KOF Holdings Sdn Bhd (formerly known as Fahad Holdings Sdn Bhd) ("KHSB") for the joint development of two adjoining lands known as Lot 169 and 170, Section 89, Jalan U-Thant, Kuala Lumpur.

2. DETAILS OF THE JVA

KHSB and YTB Development have entered into a joint venture agreement for the development of two adjoining lands known as Lot 169 and 170, Section 89, Jalan U-Thant, Kuala Lumpur ("JV Lands") ("JV Development").

On 18 October 2014, KHSB has entered into a Joint Venture Development Agreement with Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah ("RISDA") for the development of the JV Lands ("RISDA JVA").

In accordance with the JVA, YTB Development shall pay to KHSB a sum of RM2.0 million as an advance ("Advance Payment") and KHSB agrees to assign to YTB Development the sole and exclusive rights and entitlement to develop the JV Lands in any manner as YTB Development shall deem fit at its sole and absolute discretion, subject to the terms and conditions of the JVA.

YTB Development undertakes to pay KHSB, for the benefit and in full discharge of all entitlement of KHSB, an amount equivalent to 50% of the profit after tax in respect of the JV Development ("KHSB's Entitlement") upon the terms and subject to the conditions of the JDA. The Advance Payment shall be treated as part of the KHSB's entitlement.

Subject to the approval of the relevant authorities, the proposed JV Development will take approximately 3 years commencing from the date of the JVA, which may include (but is not limited to) residential units. The actual number of units to be developed have yet to be determined at this juncture but YTB Development is currently in the initial stages of development planning and will be submitting a detailed development plan to the relevant authorities for approval in due course.

The proposed JV Development is expected to have an estimated total gross development value ("GDV") of approximately RM180 million.
2.1 Basis and justification for the KHSB’s Entitlement

The KHSB’s Entitlement was arrived at after negotiations and taking into consideration, among others, the following:

(i) the proposed JV Development over an expected period of 3 years to develop the JV Lands into a development project comprising residential units;

(ii) the development potential of the JV Lands (including the estimated GDV and gross development profit), the rationale for the JVA as set out in Section 3 of this Announcement and overview and prospects of the JV Lands as set out in Sections 4.3 and 4.4 of this Announcement;

(iii) the JVA will enable YTB and its subsidiaries ("YTB Group") to save substantial upfront costs relating to the acquisition of land of similar size as well as the associated land holding costs.

2.2 Salient terms of the JVA

The salient terms of the JVA are as follows:

(i) **Profit sharing**

YTB Development and KHSB agree that the profit sharing between the parties shall be on 50%:50% basis in which the profit shall mean and be calculated as follows:

Sale proceeds less:

(a) RISDA’s entitlement for the land contribution as per terms stipulated in RISDA JVA and/or any additional agreement and/or direction resulting therefrom;

(b) all costs and expenses in relation to the JV Development incurred by KHSB and/or YTB Development which shall include but not limited to the development costs, building costs, infrastructure costs, development charge and statutory contributions for the JV Development approvals, professional fees, sales and marketing expenses, legal fees, payments to project coordinators; and

(c) all payable taxes including goods and services tax (if any) which may be imposed on the JV Development by any relevant Malaysian government agency or body.

For the avoidance of doubt, YTB Development and/or KHSB shall appoint a certified Quantity Surveyor to certify the major development construction cost as to justify the costs and expenses stated in Section 2.2(i)(b) above.

The parties agree that within 14 days from the date of the JVA, the parties shall cause a bank account to be opened under the name of YTB Development ("Joint Account"). All payment/sale proceeds in relation to the JV Development shall be paid into the Joint Account.
Subject to the following paragraph below, the parties agree that within 14 days from the date of the JVA, the parties shall cause a Housing Development Account(s) (as regulated under Housing Developers (Housing Development Account) Regulations, 1991) to be opened under the name of KHSB whereby KHSB shall nominate YTB Development to manage the account and the signatory for the bank account shall be a representative from YTB Development ("HDA Account"). Payments which shall be paid into the HDA Account as regulated under Housing Developers (Housing Development Account) Regulations, 1991 for any purchase of unit(s) and/or building(s) constructed as per the Development shall be made into the HDA Account.

YTB Development shall permit KHSB or its authorized agents or representatives, from time to time, to check and examine all documents and records related to the HDA Account.

(ii) Termination

Except as otherwise expressly provided in the JVA, the JVA shall expire/be terminated upon one of the following events, whichever shall occur first:

(a) Dissolution by mutual written agreement of the parties;

(b) Either party becoming insolvent, filing or having filed against it a petition to be wound-up, or making a general assignment for the benefit of its creditors; or

(c) In the event the RISDA JVA is terminated.

2.3 Source of funding

The Advance Payment was funded via internally generated funds

The development cost of the JV Development is expected to be funded through a combination of internally generated funds and/or bank borrowings. The actual proportion of bank borrowings and internally generated funds will be decided at a later date, after taking into consideration the funding and debt obligations as well as cash requirements of YTB Group.

2.4 Background information on KHSB

KHSB was incorporated in Malaysia on 26 June 2013 under the Companies Act, 1965 (which has since been repealed and replaced by the Companies Act 2016) and is principally involved in the processing of minerals. As at 6 April 2017, being the latest practicable date prior to this Announcement ("LPD"), the share capital and number of issued shares of KHSB is RM10 million and 10 million shares ("KHSB Shares") respectively.
As at the LPD, the shareholders of KHSB and their respective shareholding in KHSB are as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of KHSB Shares held</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>YAM Tengku Arif Temenggong Pahang Tengku Fahad Mua’Adzam Ibni Sultan Haji Ahmad Shah Al-Musta’In Bill</td>
<td>7,500,000</td>
<td>75.0</td>
</tr>
<tr>
<td>Dato’ Ong Boon He</td>
<td>2,450,000</td>
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<tr>
<td>Wan Ezruinznaz bin Khalil</td>
<td>50,000</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,000,000</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

As at the LPD, the Directors of KHSB are DYMM Sultanah Hajjah Kalsom, YAM Tengku Arif Temenggong Pahang Tengku Fahad Mua’Adzam Ibni Sultan Haji Ahmad Shah Al-Musta’in Bill and Dato’ Ong Boon Hee.

3. **RATIONALE AND BENEFITS OF THE JVA**

Since YTB Group had diversified into the property development business in 2014, the JVA serves to complement YTB Group’s overall expansion plans with a potential estimated GDV of approximately RM180 million, which will pave the way for YTB Group to continue tapping into the property development business segment in Malaysia.

4. **INDUSTRY OVERVIEW AND PROSPECTS**

4.1 **Overview of the Malaysian economy**

The Malaysian economy grew by 4.5% in the fourth quarter (“4Q”) of 2016 (third quarter (“3Q”) 2016: 4.3%), underpinned by continued expansion in private sector expenditure. On the supply side, growth continues to be driven by the manufacturing and services sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a sustained growth of 1.4% (3Q 2016: 1.4%).

Overall, domestic demand expanded at a more moderate pace, as the improvement in private consumption and investment activity was more than offset by the decline in public expenditure. In 4Q 2016, private consumption grew by 6.2% (3Q 2016: 6.4%), supported by continued wage and employment growth. Private investment registered a growth of 4.9% (3Q 2016: 4.7%), following continued capital spending in the services and manufacturing sectors. Growth of public investment improved mainly on account of higher spending on fixed assets by public corporations, but nevertheless, remained in contraction during the quarter. Public consumption also declined by 4.2% (3Q 2016: +2.2%) arising from the rationalisation of spending on supplies and services and a moderation in the growth of spending on emoluments. On the external front, net exports contributed positively to growth as real exports expanded at a faster rate than real imports.
On the supply side, growth in the manufacturing, mining and agriculture sectors improved. The manufacturing sector expanded at a faster pace owing to higher growth in both domestic and export-oriented industries. The mining sector recorded an improvement due to the increase of natural gas production during the quarter. In the agriculture sector, economic activity contracted at a slower pace, reflecting the diminishing impact of El Niño on crude palm oil yields. Growth in the services sector continued to expand, albeit at a more moderate pace, supported mainly by consumption-related services. In the construction sector, growth remained driven by the civil engineering subsector.

Inflation, as measured by the annual change in the Consumer Price Index, increased to 1.7% in 4Q 2016 (3Q 2016: 1.3%), driven mainly by upward adjustments to domestic fuel prices during the quarter.

In 4Q 2016, the current account surplus widened, due mainly to a higher trade surplus and narrower deficits in the income accounts.

The Monetary Policy Committee maintained the Overnight Policy Rate ("OPR") at 3.00% during 4Q 2016. At the prevailing level of the OPR, monetary conditions remained supportive of economic activity.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2016, Bank Negara Malaysia)

4.2 Overview of the property market in Malaysia

The residential subsector under the construction sector grew 10.4% supported by steady growth in incoming supply at 13.1%. Klang Valley, accounting for 26.2%, continued to contribute the most of the incoming supply mainly due to increasing affordable housing schemes. However, during the period, new approvals declined significantly by 36.2% as developers are clearing unsold properties, while buyers are more cautious amid increasing uncertainties in the global environment. Likewise, housing starts declined 16.8% of which terrace houses and condominiums/apartments accounted for 43.6% and 29.9%, respectively, while low-end houses accounted for 11%. The take-up rate for residential units was lower at 25.6% in the first half of 2016 largely reflecting softer demand for high-end units.

During the first half of 2016, a total of 102,096 residential properties valued at RM32.7 billion were transacted, accounting for 62.4% of total property transactions. Residential properties transacted in Kuala Lumpur recorded a marked contraction of 20.1%, followed by Selangor with 14.1%, Penang at 13.5% and Johor at 10.9%. The softening of the transaction was partly due to the buyers’ cautious sentiment and measures to contain the accelerating house prices. The residential overhang increased 63.1% to 13,438 units during the first half of 2016, with Johor accounting for the highest overhang units with 21.1%.

Malaysia House Price Index ("MHPI") continues to moderate reflecting implementation of various measures to contain spiralling prices. The MHPI stood at 235.4 points (at base year 2000) during 2Q 2016, increasing 5.3%, the lowest since 4Q 2009. The average all-house price increased to RM326,241 in the second quarter of 2016 relative to RM309,705 for the corresponding period in 2015, with detached houses recording the highest increase at 6.5%, followed by high rise units with 6% and terrace houses at 5.7%.
Construction activity in the non-residential sector grew at a moderate pace of 3%. This was mainly due to a further decline in construction starts, particularly in the industrial, shopping complexes and shops segments. The purpose-build office segment improved with the incoming supply rebounding 28.4% to 2 million square metres (sm), while planned supply increased sharply by 56% to 1 million sm.

Shop segment recorded 6,513 transactions worth RM4.7 billion during the first half of 2016, constituting 56% of total commercial property transactions. The shop overhang increased 22.6% to 5,024 units valued at RM2.5 billion during the period following a more cautious sentiment among businesses. However, demand for commercial buildings remained favourable with the average occupancy rate of retail space at 82.2% and office at 83.5%, reflecting sustained demand for commercial space in prime areas.

The residential subsector is projected to expand driven by affordable housing programmes, particularly 1Malaysia Civil Servants Housing. Meanwhile, the non-residential sector is expected to benefit from mixed commercial development mainly in Klang Valley, Johor and Pahang.

(Source: Economic Report 2016/17, Ministry of Finance Malaysia)

4.3 Overview of the property market in Wilayah Persekutuan Kuala Lumpur

The state’s property market softened in H1 2016. The review period registered 7,455 transactions with a total value of RM10.35 billion, down significantly by 19.8% in volume and marginally decreased by 6.0% in value over H1 2015. Residential sub-sector retained its lion market share, contributed 74.3% of the total transactions followed by commercial (21.7%), development land (2.5%) and industrial (1.5%) sub-sectors.

Market movements across the board was less encouraging as the contraction rate continued to increase. All subsectors witnessed negative growth with the exception of development land sub-sector, which showed a positive growth of 2.2%. The commercial sub-sector led the downtrend with 21.4% contraction followed by residential (-20.1%) and industrial (-0.9%).

The state recorded several major sales in H1 2016 comprising, among others, Bangunan AmBank, Intermark Mall and The Integra Tower which were transacted in 2015, as well as Signature Office Block C @ Capsquare and Signature Office Block D @ Capsquare which were transacted in 2014.

Prices of residential property witnessed mixed performance across the board. Landed property located in prominent and established areas continued to record capital appreciations. An increase of 8.6% was recorded for single storey terraced houses in Taman Tun Dr Ismail whilst double storey terraced houses in Desa Hartamas at 8.8%. On similar note, prices of the high-rise units were fairly stable with increases recorded in prominent schemes and those located along Light Rail Transit ("LRT") as well as along Mass Rapid Transit ("MRT"). As at H1 2016, the All House Price Index for the state stood at 286.2 points, up by 6.9% from 267.7 points in Q2 2015. The Average All House Price for the state as at Q2 2016 stood at RM759,393, increased from RM710,089 in Q2 2015.

The residential rental market also portrayed mixed movements. Rental uptrend was recorded in several choice locations mainly due to tenancy and rental renewals. Houses located nearby higher learning institutions and along LRT and MRT routes also experienced rental gains.
In the commercial sub-sector, prices of shops were stable with increases noted in established commercial areas served with efficient road linkages. Similar trend was seen in the rental market. Rentals of ground floor shops were generally stable with few exceptionally high increases recorded at selected areas, namely those in new established shopping localities such as Solaris Dutamas, Wangsa Metroview and Diomond Square, Jalan Gombak.

In the retail sub-sector, rentals of retail space were stable for most shopping complexes with few exceptions. Positive rental movements were recorded in selected complexes due to tenancy and rental renewals.

The primary market showed a downturn as the number of new launches contracted to 1,068 units in H1 2016 (H1 2015: 5,760 units; H2: 1,326 units). Correspondingly, the weak response from buyers led to the low overall sales performance of 13.1% (H1 2015: 21.4%). All of these new units were condominiums.

In line with the softening property market, the overhang saw an increasing trend. The overhang volume rose to 836 units worth RM1.16 billion in H1 2016, increased by 74.5% against H2 2016 (479 units worth RM0.50 billion). Similarly, the unsold under construction increased by 48.3% to 4,302 units (H2 2015: 2,901 units) whilst the unsold not constructed increased by more than two-fold to 6,136 units (H2 2015: 2,966 units).

The shops sub-sector continued to witness zero overhang. The numbers in the unsold under construction reduced by 5.3% to 216 units (H2 2015: 228 units) whereas the unsold not constructed category grew by 6.9% to 249 units.

The leisure sub-sector witnessed the completion of three new hotels offering 882 rooms. These were the five-star St Regis Kuala Lumpur in Jalan Damansara, and the four-star Oasis Suite Kuala Lumpur and V E Hotel & Residence. The overall occupancy of hotels in the state as reported by Tourism Malaysia witnessed a marginal improvement from 64.3% to 64.4%.

Construction activity also moderated in tandem with the easing of market activity and the increasing numbers of overhang units. Starts and new planned supply witnessed double-digit reduction of 37.5% (3,030 units) and 26.8% (11,173 units) respectively against H1 2015. However, completions recorded an increase of 9.3% (932 units) against H1 2015 (853 units). As at end-June 2016, there were 421,201 existing residential units with another 36,406 units in the incoming supply and 47,779 units in the planned supply.

In the shops sub-sector, construction activities were less active. Completions and starts were nil in H1 2016 whilst new planned supply shrank by 17.3% to 511 units compared with H1 2015 (618 units). As at end-June 2016, there were 25,441 existing shops with another 1,429 units in the incoming supply and 1,634 units in the planned supply.

In the industrial sub-sector, there were 5,138 existing industrial units and 15 units in the planned supply as at end-June 2016.

(Source: Property Market Report First Half 2016, Valuation and Property Services Department, Ministry of Finance Malaysia)
4.4 Prospects of JV Lands

The proposed JV Development is expected to have an estimated total gross development value ("GDV") and estimated gross development cost ("GDC") of approximately RM180 million.

Premised on the above, the JVA represents an opportunity for YTB Group to strengthen its position as a sizeable property developer as well as contribute positively to the performance of YTB Group moving forward.

(Source: Management of YTB)

5. RISK FACTORS

5.1 Funding risk

YTB Group may be seeking external borrowings to fund the JV Development. However, YTB Group’s ability to arrange for external borrowings and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors’ confidence in YTB Group or any restrictions imposed by the Malaysian Government as well as the political, social and economic conditions in Malaysia. Accordingly, there can be no assurance that the necessary funds will be available in amounts or on terms acceptable to YTB Group.

5.2 Delay in development projects

Timely completion of the JV Development is dependent on factors which include, among others, obtaining the necessary approvals from the relevant authorities, adequacy of supply of labour and construction materials, as well as satisfactory performance and timely delivery of appointed contractors. Delays in the completion of the JV Development may result in cost overruns, reputation risk as well as legal uncertainties such as late delivery penalties.

5.3 Default risk

The JVA are subject to satisfaction by the parties of their respective obligations, covenants and duties as set out in the JVA. Any breach of material obligations is an event of default and may entitle the non-breaching party to terminate the JVA and the non-defaulting party could take the necessary actions to claim damages or seek other remedies for any losses incurred as a result of such default or breach. As such, there is no assurance that YTB Group will realise the anticipated returns from the JVA and/or to recover all costs or losses incurred arising from the termination.
6. **EFFECTS OF THE JVA**

6.1 **Share capital and substantial shareholders’ shareholdings**

The JVA will not have any effect on the issued share capital and the substantial shareholders’ shareholdings of the Company.

6.2 **Earnings and earnings per ordinary share in YTB (“YTB Share”) (“EPS”)**

Save for the Advance Payment, the JVA is not expected to have any material effect on the earnings and EPS of YTB Group for the financial year ending 30 June 2017. Notwithstanding, the JVA is expected to contribute positively to the future earnings of YTB Group when the expected profits from the JV Development are realised.

6.3 **NA per YTB Share and gearing**

The JVA is not expected to have any material effects on the NA, NA per YTB Share and gearing of YTB Group

7. **APPROVALS REQUIRED**

The JVA is not subject to the approval of the shareholders of YTB and is not conditional upon any other proposals undertaken or to be undertaken by YTB Group.

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

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

9. **DIRECTORS’ STATEMENT**

The Board, having considered all aspects of the JVA, including the terms and conditions of the JVA, rationale and benefits of the JVA, and the effects of the JVA, is of the opinion that the JVA is in the best interest of the Company.

10. **ESTIMATED TIMEFRAME FOR IMPLEMENTATION**

Barring any unforeseen circumstances, the JVA is expected to be implemented by the 3rd quarter of 2017.
11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the JVA is available for inspection at the registered office of the Company at Ground Floor 8, Lorong Universiti B, Section 16, 46200 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Monday to Friday (except public holidays) for a period of three months from the date of this Announcement.

This Announcement is dated 7 April 2017.