

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

PROPOSED JOINT DEVELOPMENT BETWEEN DE CENTRUM RETAIL SDN BHD (“DCRSB”), A WHOLLY-OWNED SUBSIDIARY OF PROTASCO DEVELOPMENT SDN BHD, WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF PROTASCO, AND PENMALAND SDN BHD (“PENMALAND”) TO JOINTLY DEVELOP THREE (3) CONTIGUOUS PARCELS OF FREEHOLD DEVELOPMENT LAND HELD UNDER TITLE NOS. GRN 67477 (LOT NO. 369), GRN 86444 (LOT NO. 422) AND GRN 71208 (LOT NO. 665) IN MUKIM OF TAMPIN TENGAH, DISTRICT OF TAMPIN, NEGERI SEMBILAN DARUL KHUSUS MEASURING APPROXIMATELY 55.4748 HECTARES OR 137.08 ACRES IN AGGREGATE (“TAMPIN LAND”) (“PROPOSED JOINT DEVELOPMENT”)

1. INTRODUCTION

On behalf of the Board of Directors of Protasco (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that DCRSB had on 1 March 2019 entered into a conditional joint development agreement (“**JDA**”) with Penmaland to jointly develop the Tampin Land into a mixed residential development (“**Development**” or the “**Project**”).

Pursuant to the JDA, Penmaland, being the registered proprietor and the legal and beneficial owner of the Tampin Land, shall grant DCRSB, the developer of the Development, full and unfettered rights to carry out the Development on the Tampin Land, in exchange for a total cash consideration of RM48.60 million (“**Proprietor’s Entitlement**”) which will be payable in the manner as set out in Section 2.1.4(i) of this Announcement.

In view of the interest of Dato’ Sri Chong Ket Pen (“**Dato’ Sri Chong**”) in the Proposed Joint Development as set out in Section 9 of this Announcement, the Proposed Joint Development is deemed as a related party transaction pursuant to the provisions of Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”). Accordingly, Public Investment Bank Berhad (“**Independent Adviser**”) has been appointed as the independent adviser to advise the non-interested directors and non-interested shareholders of Protasco in respect of the Proposed Joint Development.

Further details on the Proposed Joint Development are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSED JOINT DEVELOPMENT

DCRSB had entered into the JDA with Penmaland to jointly undertake the Proposed Joint Development pursuant to and in accordance with the terms and conditions set forth in the JDA. Pursuant to the JDA, Penmaland, being the registered proprietor and the legal and beneficial owner of the Tampin Land, shall grant DCRSB the rights to carry out the Development on the Tampin Land in exchange for the Proprietor’s Entitlement, and DCRSB shall act as the developer of the Development and be responsible for the overall development, construction, funding and completion of the Project.

Further details on the Tampin Land and the Development are set out in Section 3 of this Announcement.

2.1 Salient terms of the JDA

The salient terms of the JDA are as follows:

2.1.1 Conditions precedent

The JDA is subject to and conditional upon the following conditions precedent being fulfilled within six (6) months from the date of the JDA or such other period as DCRSB and Penmaland (collectively, the “**Parties**”) may mutually agree in writing (“**Conditional Period**”):

- (i) approval of the shareholders of Protasco for the Proposed Joint Development at an extraordinary general meeting (“**EGM**”) to be convened;

- (ii) Penmaland to discharge, at its own cost and expense, the existing charge on the Tampin Land in favour of United Overseas Bank (Malaysia) Berhad (“**Existing Charge**”), to the satisfaction of DCRSB and to deliver to DCRSB the original title deeds of the Tampin Land;
- (iii) Penmaland to ensure that the existing planning approval for the Development (“**Existing Planning Approval**”) is still valid and subsisting with a validity period of at least three (3) months from the expiry of the Conditional Period;
- (iv) Penmaland to convert, at its own cost and expense, the category of land use of the Tampin Land for the purposes of the Development to the satisfaction of DCRSB; and
- (v) such other consents, approvals and/or notifications as may be required from or to be provided to any governmental or regulatory body or competent authority, or third party for the entering of the JDA,

(collectively referred to as the “**Conditions Precedent**”).

If any of the Conditions Precedent is not fulfilled or waived (as the case may be) in accordance with the provisions of the JDA within the Conditional Period, any Party may by notice in writing to the other Party, terminate the JDA. Upon such termination, Penmaland shall refund to DCRSB the RM5.0 million paid by DCRSB to Penmaland (being the first tranche of the Upfront Consideration (as defined in Section 2.1.4(i) below)) within 30 days from such termination, and in exchange of such refund made, DCRSB shall redeliver the original title deeds together with vacant possession of the Tampin Land to Penmaland, if the same has been delivered to DCRSB. Thereafter, none of the Parties shall have any claim, liability or obligation against the other Party save for antecedent breaches of the JDA.

2.1.2 Covenants and undertakings

(i) By Penmaland

Penmaland agrees, covenants and undertakes with DCRSB the following:

- (a) not to sell, transfer, dispose of, lease, convey, assign, divest its right, title or interests in the Tampin Land or create any encumbrance or grant any option over the Tampin Land or any part thereof or grant any development or other rights in favour of any third party save with the prior written consent of DCRSB or in accordance with the terms of the JDA;
- (b) to deliver, at its own cost and expense, vacant possession of the Tampin Land or cause vacant possession of the Tampin Land to be delivered to DCRSB on the date of the JDA;
- (c) to apply, at its own cost and expense, for the amalgamation and sub-division of the Tampin Land in accordance with the approved layout plan of the Project, and for the issuance of the separate issue documents of titles to the units of residential property or other property developed pursuant to the Development (“**Units**”);
- (d) to assist DCRSB in the application for all such approvals or permits, to facilitate and render all such assistance as may be required for the purpose of obtaining all necessary and relevant licences, permits and approvals, and to sign and execute all such applications for the purposes of the Development;
- (e) to grant its consent to the sale or sub-sale of all or any Units upon such terms and conditions as DCRSB shall deem necessary and to execute such agreements or transfers in relation thereto;

- (f) to grant its consent to the creation of charge over the Tampin Land to or in favour of the financiers who provide financing to DCRSB solely and exclusively for the Development (“**Financiers**”) and to execute all such documents for the purpose of creation and perfection of the charge;
- (g) to permit DCRSB, its servants, agents and workmen to enter the Tampin Land or any part thereof to carry out any surveys or ancillary works as DCRSB shall deem necessary;
- (h) to bear and pay all fees, charges and premiums payable in respect of all governmental or state authorities’ or local authorities’ consent, approval, exemption or amendment to the express conditions and restrictions in interest, if any, for the purpose of undertaking the Project;
- (i) to bear and pay all fees, charges and premiums payable in respect of the approval of the relevant authorities for the conversion of the category of land use of the Tampin Land or any part thereof for the purposes of the Development;
- (j) be liable for and pay all quit rents, assessments, rates and other outgoings, if any, in respect of the Tampin Land prior to the date the last Condition Precedent is fulfilled (“**Unconditional Date**”);
- (k) to permit DCRSB to lodge with the appropriate authorities a private caveat against any dealing with the Tampin Land at any time after the execution of the JDA; and
- (l) to do all such acts and things and execute all such documents and instruments and to further render all such assistance as may be necessary or required by DCRSB for the implementation and carrying out of the Project and to give effect to the terms and conditions of the JDA.

(ii) By DCRSB

DCRSB agrees, covenants and undertakes with Penmaland the following:

- (a) to appoint and manage, at its own cost and expense, the architect in respect of the Project (“**Project Architect**”), civil and structural engineers, mechanical and electrical engineers, quantity surveyors, land surveyors, valuers, contractors, marketing agents, solicitors, accountants and consultants required for the purpose of the Development;
- (b) to observe all relevant laws, regulations, bylaws and rules in carrying out the Development;
- (c) to apply for and obtain all consents and permits required for or in connection with the Development;
- (d) to pay all quit rents, assessments, rates and other outgoings, if any, in respect of the Tampin Land with effect from the Unconditional Date;
- (e) to procure financing for the Project, if required;
- (f) to undertake, at its own cost and expense, the administration, financing, advertising, promotion, construction and project management of the Development;
- (g) to ensure that the quality of the construction of the Units be of acceptable industry standards;
- (h) to ensure that the project construction be on a fair open tender basis; and
- (i) to provide Penmaland with quarterly reports on the progress of the Development and the project accounts.

2.1.3 Power of attorney

For the purpose of giving effect to Penmaland's obligations and covenants in the JDA, Penmaland had simultaneously with the execution of the JDA, executed a power of attorney ("**Power of Attorney**"), appointing DCRSB or its agents or nominees to be the attorney of and on behalf of Penmaland, to do all such things and acts which Penmaland ought to do under the terms of the JDA and generally in the name of Penmaland. Penmaland shall cause the Power of Attorney to be registered at the High Court of Malaya in accordance with the Powers of Attorney Act 1949.

Penmaland agreed that the Power of Attorney shall be irrevocable and shall remain in full force and effect:

- (i) for so long as necessary for the completion of the Project and until issuance of the issue documents of title to all the Units;
- (ii) for so long as the Project is not completed; and
- (iii) for so long as any obligation or liability of Penmaland under the JDA or in respect of the Tampin Land remains outstanding or undischarged or liable to be enforced against Penmaland.

2.1.4 Parties' entitlement

(i) Penmaland's entitlement

Penmaland is entitled to receive from DCRSB a fixed total sum of RM48.60 million in cash, which is equivalent to approximately 13% of the estimated aggregate gross development value ("**GDV**") of the Project of RM371.59 million and shall be paid in stages in the following manner:

| Milestone | Timeline | RM'million |
|---|---|--------------|
| (a) 1 st payment | On the date of the JDA (" First Payment ") | 5.00 |
| (b) 2 nd payment | 12 months from the date of the JDA or the Unconditional Date, whichever is later | 5.00 |
| (c) 3 rd payment | 18 months from the date of the JDA or the Unconditional Date, whichever is later | 5.00 |
| Subtotal ("Upfront Consideration") | | 15.00 |
| (d) Balance payment | Within three (3) months from the date on which the certificate of completion and compliance of building works (" CCC ") in relation to the Units of the respective phases of the Development is issued * | 33.60 |
| Total | | 48.60 |

Note:

* Such amounts will be paid by DCRSB to Penmaland over the duration of the Development and will be calculated in the following manner:

$$\text{Amount to be paid for each stage} = \text{RM48.60 million} \times \frac{A}{B}$$

Where:

A = the GDV of all Units in the relevant phase of the Development to which CCCs have been issued (including sold and unsold Units); and

B = the estimated aggregate GDV of the Project.

For the avoidance of doubt,

- (aa) as the Upfront Consideration forms part of the Proprietor's Entitlement, no payment shall be made by DCRSB to Penmaland unless and until the aggregate amounts due to be paid exceed the Upfront Consideration of RM15.00 million;
- (bb) the Proprietor's Entitlement of RM48.60 million is an agreed fixed sum payable by DCRSB to Penmaland notwithstanding any variation to the GDV of the Development, the number of unsold Units or actual selling price of the Units;
- (cc) DCRSB's obligation to pay and Penmaland's right to receive the Proprietor's Entitlement shall be deemed fully settled upon full settlement of the Proprietor's Entitlement notwithstanding that the Development has yet to be completed. Upon full payment of the Proprietor's Entitlement, DCRSB shall be entitled to effect the transfer of the Tampin Land (or part thereof which is yet to be transferred) from Penmaland to DCRSB or its nominee and Penmaland shall do the necessary to effect the said transfer;
- (dd) DCRSB shall pay Penmaland any shortfall between the Proprietor's Entitlement and the aggregate amounts paid within three (3) months from the date the CCCs of the Units are issued for the last phase of the Development or on the last day of the completion period of the Development (i.e. being 12 years from the Unconditional Date, or such other period(s) as the Parties may mutually agree in writing) ("**Completion Period**"), whichever is the earlier;
- (ee) Penmaland shall refund to DCRSB any surplus or excess of the Proprietor's Entitlement received by Penmaland within three (3) months from the date the CCCs of the Units are issued for the last phase of the Development or on the last day of the Completion Period, whichever is the earlier; and
- (ff) subject to DCRSB's obligation to pay Penmaland under the JDA, all unsold Units of the Development to which the CCCs have been issued shall belong to DCRSB. Penmaland shall do the necessary to effect the transfer of such unsold Units to DCRSB or its nominee.

(ii) DCRSB's entitlement

DCRSB is entitled to receive all revenue derived from the Project (save for the Proprietor's Entitlement) which is expected to be equivalent to approximately 87% of the estimated aggregate GDV of the Project ("**Developer's Entitlement**").

2.1.5 Completion of the Project

DCRSB shall have the sole and absolute right and discretion to launch and/or develop any phase of the Development in such sequence and at such time as DCRSB shall deem fit. Notwithstanding this, DCRSB has agreed to complete the Project (i.e. until the CCCs of all Units comprised in the Development having been issued) within a period of 12 years from the Unconditional Date, subject to such extension of time as the Parties may mutually agree in writing, failing which DCRSB shall pay to Penmaland any outstanding amount of the Proprietor's Entitlement and Penmaland shall do the necessary to effect the transfer of the Tampin Land (save for the Units sold to the end purchasers) to DCRSB or its nominee.

DCRSB shall not be liable for any delay as certified by the Project Architect (whose certificate shall be final and conclusive) to have been occasioned by reason of any event beyond the control of any Party or any delay caused by the breach or default by Penmaland of its obligations under the JDA. Accordingly, the following shall be excluded from the computation of the Completion Period:

- (i) the time period commencing from the date of written notification from DCRSB to Penmaland notifying that an event of force majeure has occurred until the date when the circumstances have been rectified (as confirmed by the Project Architect in writing); and
- (ii) the time period commencing from the date of written notification from DCRSB to Penmaland that a breach or default by Penmaland of its obligations under the JDA had occurred until the breach or default has been rectified to the satisfaction of DCRSB,

and the Completion Period shall be extended by such period corresponding to the delay referred to in items (i) or (ii) above, as the case may be.

2.1.6 Option to purchase the Tampin Land by DCRSB

Penmaland unconditionally and irrevocably grants DCRSB the right to acquire the portion of the Tampin Land which have not been developed or to which CCCs of the Units have yet to be issued ("**Uncompleted Land**"), from Penmaland free from any encumbrances, at any time after the Unconditional Date but prior to the last day of the Completion Period or the termination of the JDA, whichever is earlier ("**Option to Purchase**"). For the avoidance of doubt, the Uncompleted Land shall include the portion of the Tampin Land to which Units of one or more phases have been launched but not completed.

The price to be paid by DCRSB to Penmaland to acquire the Uncompleted Land shall be the market price of the Uncompleted Land to be determined by an independent valuer ("**Option Price**") jointly appointed by the Parties, whose decision shall be final and binding on the Parties.

The Parties agreed that:

- (i) the exercise of the Option to Purchase by DCRSB shall be by way of serving a notice in writing to Penmaland ("**Option Notice**");
- (ii) any Upfront Consideration paid by DCRSB to Penmaland after deducting all amounts due to be paid by DCRSB towards the Proprietor's Entitlement shall be used to form part payment of the Option Price;
- (iii) the aggregate of:
 - (a) the Option Price; and
 - (b) all amounts paid by DCRSB towards the Proprietor's Entitlement up to the date of the Option Notice,

shall in no event exceed RM48.60 million. For the avoidance of doubt, DCRSB's obligation to pay and Penmaland's right to receive shall be a maximum of RM48.60 million only;

- (iv) completion of the Option to Purchase shall take place at the registered address of DCRSB on a date to be specified in the Option Notice ("**Completion Date**") which shall be not more than six (6) months from the date of the Option Notice, or such other extended date to be mutually agreed between the Parties, subject always to Protasco obtaining the approval of its shareholders at an EGM to be convened, if required;

- (v) on the Completion Date, Penmaland shall deliver to DCRSB the duly executed memorandum of transfer for the Uncompleted Land together with all such resolutions and forms necessary to effect the transfer of the Uncompleted Land to DCRSB or its nominee free from any encumbrances, and in exchange of the aforesaid documents, DCRSB shall pay Penmaland the Option Price subject always to items (ii) and (iii) above; and
- (vi) upon completion of the Option to Purchase, the JDA shall be completed and the Parties shall no longer have any right or claim against each other save for antecedent breaches of the JDA.

2.1.7 Events and consequence of default

(i) Default by Penmaland

Penmaland shall be in default if any one or more of the following event occurs:

- (a) an event of insolvency has occurred on Penmaland;
- (b) the Tampin Land or any part thereof becomes affected by acquisition or any notice of acquisition or intended acquisition under the Land Acquisition Act 1960 or other applicable laws;
- (c) a distress, execution, attachment, garnishment or legal process is levied, enforced, commenced or sued out against Penmaland or its assets and is not discharged within 21 days or such longer period as may be granted by DCRSB;
- (d) Penmaland has committed a material breach in respect of any of its obligations under the JDA or any of the warranties and representations as stated in the JDA of which such breach prevents or materially and adversely affects the completion of the Project in accordance with the terms of the JDA, which is incapable of being remedied or if being capable of remedy is not remedied by Penmaland within 60 days from the date on which notice requiring Penmaland to do so is given to Penmaland by DCRSB; or
- (e) the Existing Planning Approval is subsequently withdrawn or revoked due to the fault of Penmaland and the approval has not been reinstated with conditions acceptable to DCRSB within 60 days from the date on which notice requiring Penmaland to do so is given to Penmaland by DCRSB, despite all reasonable efforts by the Parties to procure the same,

then DCRSB shall be entitled at its option to:

- (aa) exercise the Option to Purchase pursuant to Section 2.1.6 above; or
- (bb) terminate the JDA and in respect of the Units that are uncompleted or partially completed (irrespective of whether such Units have been sold) (collectively, "**Uncompleted Units**"):
 - (A) DCRSB shall be entitled to cease all works in relation to the Uncompleted Units;
 - (B) Penmaland shall pay DCRSB the value of all the works or construction done or carried out by DCRSB with regards to:
 - the Uncompleted Units up to the date of the termination by DCRSB; and
 - the main and major infrastructure of the Development, including but not limited to the main roads, water reservoirs, sewage treatment plants, show village and sales gallery.

The valuation of which shall be determined by the Project Architect, acting as an expert and not as arbitrator and whose decision shall be final and binding on the Parties, and the payment of which shall be made within 30 days from the Project Architect's determination;

- (C) Penmaland shall within 30 days of DCRSB's demand, pay to DCRSB all losses and damages suffered or incurred by DCRSB as a result of such breach and termination, including but not limited to any termination and other charges payable by DCRSB to its contractors, architects, consultants and other third party in respect of the termination of their engagements, all interests, fees and other charges payable to the Financiers in connection with the termination of the JDA, and all premiums, quit rents, assessments, fees and other charges paid by DCRSB in respect of the Tampin Land to any relevant authorities prior to such termination;
- (D) Penmaland shall within 30 days of DCRSB's demand, refund in full the Upfront Consideration or part thereof received as agreed liquidated damages of DCRSB against Penmaland; and
- (E) subject to the payment by Penmaland to DCRSB of the amounts referred to in items (B), (C) and (D) above, DCRSB shall handover to Penmaland all plans, designs, drawings and specifications and other relevant documents relating to the Project, remove all of its equipment, machinery and workmen, employees, servants, agents, contractors and sub-contractors from the Tampin Land.

(ii) Default by DCRSB

DCRSB shall be in default if any one or more of the following event occurs:

- (a) an event of insolvency has occurred on DCRSB;
- (b) DCRSB has committed a material breach in respect of any of its obligations under the JDA of which such breach prevents or materially and adversely affects the completion of the Project in accordance with the terms of the JDA, which is incapable of being remedied or if being capable of remedy is not remedied by DCRSB within 60 days from the date on which notice requiring DCRSB to do so is given to DCRSB by Penmaland; or
- (c) the Existing Planning Approval or any other licence, authorisation or permit required for the purpose of the Development is withdrawn or revoked due to the fault of DCRSB and such approval, licence, authorisation or permit has not been reinstated within 60 days from the date on which notice requiring DCRSB to do so is given to DCRSB by Penmaland, despite all reasonable efforts by DCRSB to procure the same,

then Penmaland shall be entitled at its option to terminate the JDA and in respect of the Uncompleted Units:

- (aa) Penmaland shall be entitled to re-enter and take possession of the Tampin Land (excluding any part on which has been completed and vacant possession of such Units has been delivered to the end purchasers) and to take over and complete or engage any third party to take over and complete the Development in relation to the Uncompleted Units;
- (bb) DCRSB shall immediately cease all construction and other works on the Tampin Land and shall handover to Penmaland all plans, designs, drawings and specifications and other relevant documents relating to the Project, remove all of its equipment, machinery and workmen, employees, servants, agents, contractors and sub-contractors from the Tampin Land. For the avoidance of doubt, DCRSB shall be responsible for and liable to all claims and/or demands of its workmen, employees, servants, agents, contractors and sub-contractors appointed for the Development;

- (cc) DCRSB shall not recover the value of all the works or construction done or carried out by DCRSB (if any) with regards to the Uncompleted Units up to the date of the termination by Penmaland and such value shall be deemed to be agreed liquidated damages of Penmaland against DCRSB, and Penmaland shall thereby release and discharge DCRSB from any further liability to Penmaland as a result of such breach and termination;
- (dd) Penmaland shall be entitled to retain such amount paid or due to be paid by DCRSB towards the Proprietor's Entitlement. For the avoidance of doubt, the Proprietor's Entitlement shall be calculated in the manner as set out in Section 2.1.4(i) above and if such amount is less than the amount paid or due to be paid to Penmaland, Penmaland shall refund such excess within 30 days of DCRSB's demand; and
- (ee) DCRSB shall do all things as may be required by Penmaland to procure the discharge of the charge(s) created by DCRSB for purposes of securing a bridging loan to fund the Development.

Notwithstanding the above, the termination of the JDA shall not affect those Units that have been completed ("**Completed Units**") regardless whether the Units have been sold or unsold, and:

- each Party shall continue to perform their obligations in respect of the Completed Units in accordance with the terms of the JDA;
- Penmaland shall at DCRSB's own cost and expense, transfer all unsold Completed Units to DCRSB and/or its nominee; and
- the Parties' rights, title and interests to the Proprietor's Entitlement and the Developer's Entitlement respectively, in connection to such Completed Units (in each case, whether sold or unsold) shall be unaffected.

2.1.8 Interests on late payment

If any payment required to be made by one Party to the other Party under the terms of the JDA shall remain unpaid within 30 days from the date on which it is due, the Party who fails to make such payment shall, in addition, be liable to pay interest on the sums required to be paid or repaid, at the rate of 10% per annum calculated from the expiry of the 30-day period until date of full payment or repayment.

2.1.9 Sale of the Tampin Land as a result of default on payment

If Penmaland fails to refund or pay any amount as required to be repaid or paid as stipulated in the JDA (including the Upfront Consideration, where applicable), the Tampin Land or such part of the Tampin Land ("**Relevant Land**") shall, at the election of DCRSB be sold to DCRSB or to such person as may be directed by DCRSB, at the open fair market price of the Relevant Land to be determined by an independent valuer appointed by DCRSB for the purpose of satisfying and discharging the payment obligations of Penmaland. DCRSB may in the exercise of the Power of Attorney granted by Penmaland do all such things and acts and execute the memorandum of transfer and all such other documents as may be required to give effect to the sale and disposal of the Relevant Land.

Any surplus remaining after the discharge of the payment obligations of Penmaland under the JDA and after the payment of all costs and expenses (including legal costs) incurred in connection with the recovery of such amount payable or the disposal of the Relevant Land shall be paid to Penmaland.

2.2 Basis and justification of arriving at the Proprietor's Entitlement

The Proprietor's Entitlement was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (i) prospects of the Tampin Land and the Development as described in Section 5 below;
- (ii) development potential of the Tampin Land with a potential GDV of approximately RM371.59 million and a gross development profit of approximately 14% (after deducting the Tampin Land cost of RM48.60 million and financing cost, but before tax), based on the management's estimates after having considered the Existing Planning Approval as well as the selling prices of the housing estates surrounding the Tampin Land;
- (iii) deferred payment of the balance Proprietor's Entitlement (after excluding the Upfront Consideration) ("**Balance Proprietor's Entitlement**") over the duration of the Project as mentioned in Section 2.1.4(i) above; and
- (iv) the market value of the Tampin Land of RM36.00 million as appraised by IVPS Property Consultant Sdn Bhd ("**IVPS**") vide its report dated 26 February 2019, which was prepared for the Company's internal use.

Having considered the above, the Board is of the view that the Proprietor's Entitlement of RM48.60 million is deemed reasonable premised on the following:

- (a) the Company would be required to seek substantial funding for the Tampin Land if it were to acquire the Tampin Land outright at the market value of RM36.00 million and it would incur interest cost of approximately RM2.34 million per annum based on Protasco and its subsidiaries' ("**Group**") average cost of funding of 6.5% per annum for the Group's existing projects, assuming the acquisition is funded entirely through bank borrowings;
- (b) the Balance Proprietor's Entitlement which will be paid on a deferred basis and calculated based on the GDV of the Units in the relevant phase of the Development to which CCCs have been issued, would allow DCRSB to minimise immediate cash outflow and instead utilise the same for the Development;
- (c) the flexibility given to DCRSB to launch the Development in phases as and when DCRSB deems fit would allow it to carefully plan and time the launches of each phase of the Development, after taking into consideration prevailing market conditions and take-up rates for its previous launched phases.

For information purposes, it is the intention of the management of the Company to embark on a subsequent phase of the Development only after it has achieved a take-up rate of at least 60% for the previous launched phase(s), thus giving DCRSB a better control over its cash flow position and reducing its risk of holding high number of unsold Units; and

- (d) the ability for DCRSB to charge the Tampin Land for purposes of securing financing for the Development upon the release of the First Payment to Penmaland and the discharge of the Existing Charge.

The Company had also agreed to pay the Upfront Consideration on a staggered basis over 18 months from the date of the JDA premised on the following:

- (aa) the First Payment made upon the signing of the JDA, which represents approximately 10.3% of the Proprietors' Entitlement, is analogous to a typical payment structure for land acquisitions of which 10% is commonly paid as deposit upon signing of the sale and purchase agreement. The First Payment will enable Penmaland to pay the conversion premium and any other costs associated with the conversion of the land use for the Tampin Land for the purposes of the Development and to discharge the Existing Charge to enable DCRSB to charge the Tampin Land for the purposes of securing financing for the Development;

- (bb) the remaining Upfront Consideration, which represents approximately 20.6% of the Proprietors' Entitlement and will be paid in two (2) separate tranches in the manner as set out in Section 2.1.4(i) above, is akin to a scheduled deferred payment structure and is in line with similar precedent joint venture arrangements of the Group; and
- (cc) pursuant to the JDA, DCRSB is given the flexibility to launch the Development in phases as and when DCRSB deems fit, and Penmaland will only receive the Balance Proprietor's Entitlement, which represents the remaining 69.1% of the Proprietors' Entitlement on a deferred basis and calculated based on the GDV of the Units in the relevant phases of the Development to which CCCs have been issued.

2.3 Source of funding

Upon signing of the JDA, the First Payment of RM5.00 million has been paid to Penmaland using the Group's internal funds. The remaining Upfront Consideration of RM10.00 million is expected to be funded via internal funds and/or bank borrowings, while the Balance Proprietor's Entitlement is expected to be funded via the Project's cash flows and/or bank borrowings. The exact quantum of bank borrowings to be taken by the Group to fund the remaining Upfront Consideration and the Balance Proprietor's Entitlement has not been determined at this juncture.

The Group intends to fund the Development through a combination of internal funds (including cash flows generated from the Project) and bank borrowings, the quantum of which cannot be determined at this juncture.

2.4 Liabilities to be assumed by the Group

There is no liability, including contingent liability and guarantee, to be assumed by the Group arising from the Proposed Joint Development.

2.5 Information on Penmaland

Penmaland was incorporated in Malaysia on 22 July 2004 as a private limited company under the Companies Act 1965 and is deemed registered under the Companies Act 2016 ("Act"). Penmaland is principally involved in investment holding and oil palm plantations.

As at 27 February 2019, being the latest practicable date prior to this Announcement ("LPD"), Penmaland has an issued share capital of RM100.00 comprising 100 shares. The directors and shareholders of Penmaland and their respective shareholdings in Penmaland are as follows:

| | Direct | | Indirect | |
|--|---------------|----|---------------|----|
| | No. of shares | % | No. of shares | % |
| <u>Directors and shareholders</u> | | | | |
| Dato' Sri Chong | 85 | 85 | (1) 15 | 15 |
| Datin Sri Hoo Chit Neo | 15 | 15 | (1) 85 | 85 |
| <u>Directors</u> | | | | |
| Dato' Chong Ther Nen | - | - | - | - |
| Chong Ther Vern | - | - | - | - |
| Chong Ther Shern | - | - | - | - |

Note:

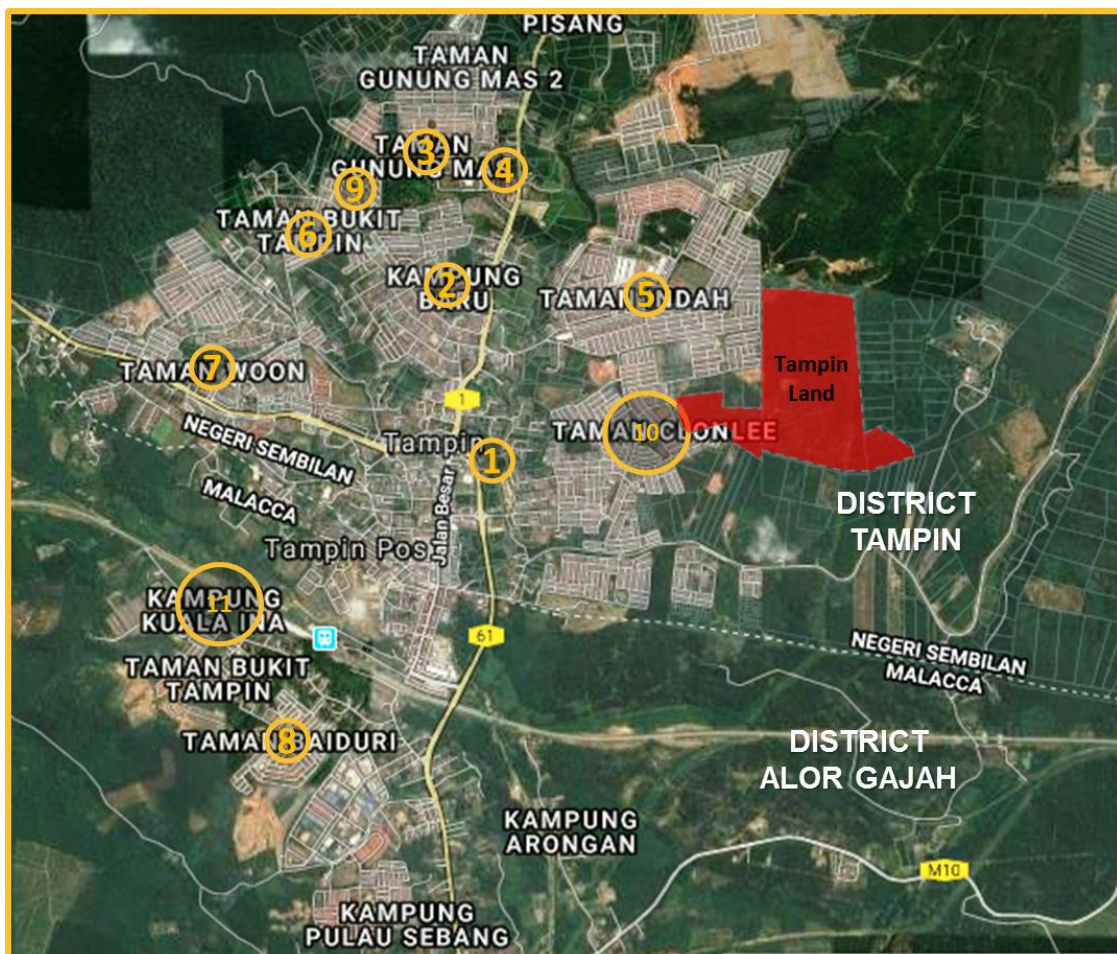
- (1) Deemed interested through his/her spouse's shareholding in Penmaland pursuant to Section 59(1)(c) of the Act.

3. INFORMATION ON THE TAMPIN LAND AND THE DEVELOPMENT

The Tampin Land comprises three (3) contiguous parcels of freehold development land held under title nos. GRN 67477 (Lot No. 369), GRN 86444 (Lot No. 422) and GRN 71208 (Lot No. 665) in Mukim of Tampin Tengah, District of Tampin, State of Negeri Sembilan, measuring approximately 55.4748 hectares or 137.08 acres in aggregate.

The Tampin Land is located adjoining to two (2) prominent housing schemes in Tampin, namely Taman Clonlee and Taman Indah. Taman Clonlee, which is located to the south-west of the Tampin Land, is one of the earliest housing schemes in Tampin while Taman Indah is located to the north of Taman Clonlee and is a major housing development in Tampin covering an estimated area of approximately 100 hectares or approximately 247 acres. Both the housing schemes generally comprise terraced houses, semi-detached houses, bungalows and shophouses.

The Tampin Land as well as other housing schemes located within its vicinity are depicted in the map below:

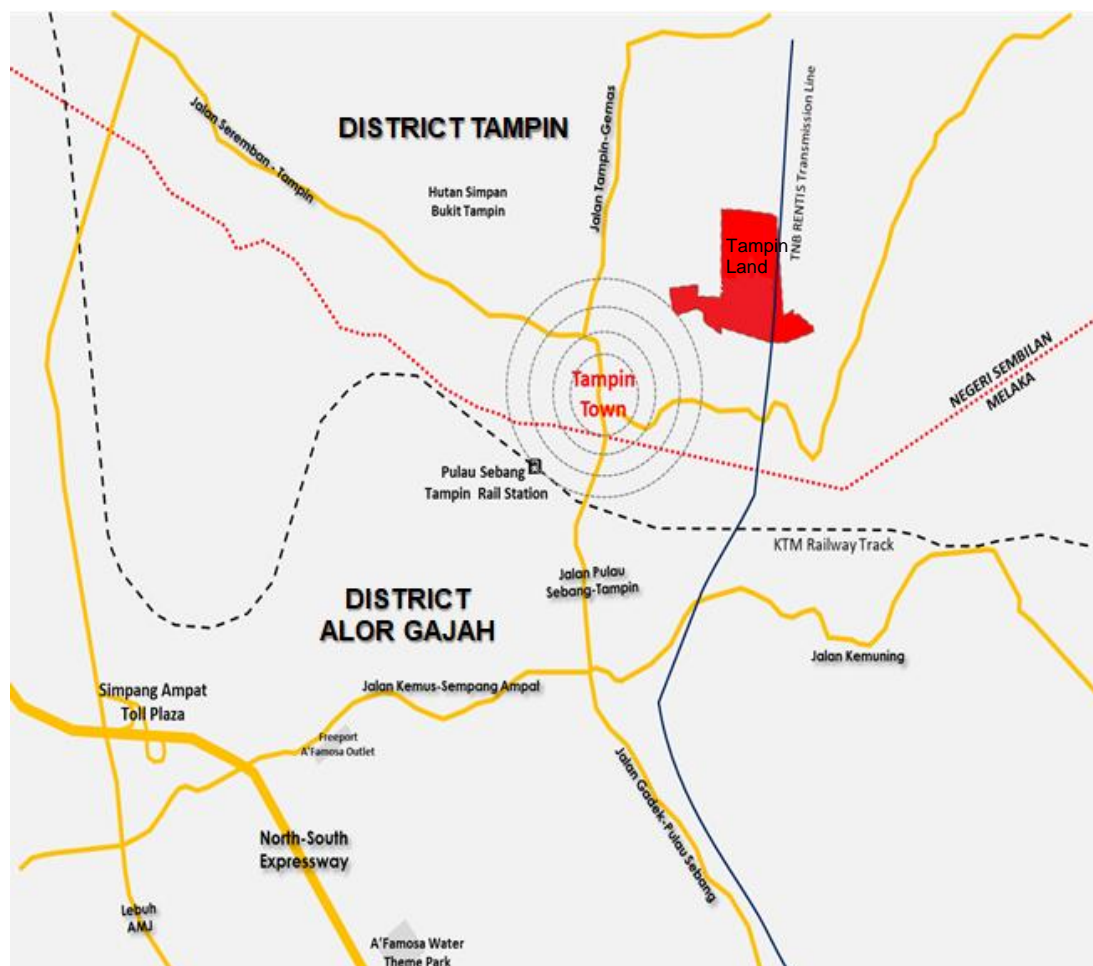


Legends:

| <u>No.</u> | <u>Housing schemes</u> | <u>No.</u> | <u>Housing schemes</u> | <u>No.</u> | <u>Housing schemes</u> |
|------------|------------------------|------------|------------------------|------------|------------------------|
| 1. | Kampung Tampin Tengah | 5. | Taman Indah | 9. | Taman Ametis |
| 2. | Kampung Baru Tampin | 6. | Taman Bukit Tampin | 10. | Taman Clonlee |
| 3. | Taman Gunung Mas | 7. | Taman Woon | 11. | Kampung Kuala Ina |
| 4. | Kampung Chempedak | 8. | Taman Baiduri | | |

The Tampin town is located approximately 2.3 kilometres to the south-west of the Tampin Land which spills over into the neighbouring state of Melaka as it is located along the Melaka – Negeri Sembilan border. It is the main administrative and commercial centre of Tampin, and is developed mainly with houses, shop offices, building complexes for government administration, retail shops as well as institutional buildings. Across the Melaka – Negeri Sembilan border, the renown A’Famosa Resort, an integrated resort comprising Safari Wonderland, Water Theme Park, Old West, Freeport A’Famosa Outlet and a golf course, is situated approximately nine (9) kilometres to the south-west of the Tampin Land.

The location map of the Tampin Land is set out below:



The Tampin Land is easily accessible from Tampin town via Jalan Besar Tampin onto Jalan Indah and thereafter onto the internal service roads within Taman Indah and Taman Clonlee. Apart from the existing access roads of the neighbouring housing schemes, a proposed 66 feet wide road will be built to connect the Tampin Land and the trunk road of Jalan Keru – Batu Belang on the southern side of the Tampin Land.

The Tampin Land is also accessible from the North-South Expressway via the Simpang Ampat toll plaza which is located approximately 12 kilometres to the south-west of the Tampin Land. In addition, four (4) kilometres to the south-west direction of the Tampin Land lies the Pulau Sebang/Tampin railway station, which is served by KTM ETS, KTM Intercity and KTM Komuter’s Seremban line, the preceding and following stations of which are as follows:

| Line | Preceding station | Following station |
|----------------------------------|------------------------------------|--|
| ETS Transit | Seremban (towards Padang Besar) | Batang Melaka (towards Gemas) |
| Express Selatan Line (Intercity) | Pulau Sebang/Tampin Terminal | Batang Melaka (towards Johor Bahru Sentral) |
| Seremban Line | Rembau (towards Batu Caves) | Pulau Sebang/Tampin Terminal |

The Tampin Land is generally undulating to hilly in terrain with its higher site located at the eastern portion. The north-western, western, southern and south-eastern portions of the Tampin Land are currently planted with matured oil palms. The biggest lot within the Tampin Land i.e. Lot 422 is almost rectangular in shape whereas Lots 369 and 665 are irregular in shape.

There is also a TNB transmission line that travels for approximately 885 metres in a north-south direction on the eastern portion of Lot 422, with a total reserved area of approximately 33,858.18 square metres.

Penmaland had on 8 August 2018, procured the Existing Planning Approval from Majlis Daerah Tampin. The Tampin Land is approved to be developed as a mixed residential development comprising 703 units of terraced houses, 32 units of semi-detached houses, 71 units of bungalows, three (3) homestay units and a commercial lot. The Development, known as "Denai Hills", is conceptualised to provide a pleasant living experience that is nested within a forest and within a guarded and low density community. Subject to property market conditions, the development period for the Development is expected to be approximately seven (7) years. As at LPD, the Development has yet to commence and the construction works for the Development is expected to commence in the 3rd quarter of 2019 provided that the JDA has become unconditional.

The management of the Company estimates that the GDV and the gross development costs ("GDC") (including the Tampin Land cost of RM48.60 million and financing cost, but excluding tax) of the Development are approximately RM371.59 million and RM318.10 million respectively.

A summary of the salient information on the Tampin Land is set out below:

| Particulars | Description | | | | | | | | | | | | | | | | | | | | | | |
|--|--|----------------|-----------------|------|--|----------|-------|-------|-----|--------|---------|-------|-----|---------|----------|-------|-----|--------|--------|--------------|--|----------------|-----------------|
| Title No. / Lot No. description (with provisional land area) | Three (3) contiguous parcels of development land held in Mukim of Tampin Tengah, District of Tampin, Negeri Sembilan Darul Khusus: <table border="1" data-bbox="587 1153 1390 1375"> <thead> <tr> <th rowspan="2">No. Hakmilik</th> <th rowspan="2">Lot No.</th> <th colspan="2">Size</th> </tr> <tr> <th>Hectares</th> <th>Acres</th> </tr> </thead> <tbody> <tr> <td>67477</td> <td>369</td> <td>7.8484</td> <td>19.3934</td> </tr> <tr> <td>86444</td> <td>422</td> <td>44.0854</td> <td>108.9350</td> </tr> <tr> <td>71208</td> <td>665</td> <td>3.5410</td> <td>8.7498</td> </tr> <tr> <td>Total</td> <td></td> <td>55.4748</td> <td>137.0782</td> </tr> </tbody> </table> | No. Hakmilik | Lot No. | Size | | Hectares | Acres | 67477 | 369 | 7.8484 | 19.3934 | 86444 | 422 | 44.0854 | 108.9350 | 71208 | 665 | 3.5410 | 8.7498 | Total | | 55.4748 | 137.0782 |
| No. Hakmilik | Lot No. | | | Size | | | | | | | | | | | | | | | | | | | |
| | | Hectares | Acres | | | | | | | | | | | | | | | | | | | | |
| 67477 | 369 | 7.8484 | 19.3934 | | | | | | | | | | | | | | | | | | | | |
| 86444 | 422 | 44.0854 | 108.9350 | | | | | | | | | | | | | | | | | | | | |
| 71208 | 665 | 3.5410 | 8.7498 | | | | | | | | | | | | | | | | | | | | |
| Total | | 55.4748 | 137.0782 | | | | | | | | | | | | | | | | | | | | |
| Net land area | Approximately 52.089 hectares (or 128.71 acres) (after deducting the reserved area for the TNB transmission line) | | | | | | | | | | | | | | | | | | | | | | |
| Tenure | Freehold | | | | | | | | | | | | | | | | | | | | | | |
| Registered owner | Penmaland | | | | | | | | | | | | | | | | | | | | | | |
| Category of land use | Not stated ⁽¹⁾ | | | | | | | | | | | | | | | | | | | | | | |
| Existing use | Vacant but partly planted with matured oil palm trees that were left unattended | | | | | | | | | | | | | | | | | | | | | | |
| Proposed use | Mixed residential development | | | | | | | | | | | | | | | | | | | | | | |
| Express condition | Nil | | | | | | | | | | | | | | | | | | | | | | |
| Restriction in interest | Nil | | | | | | | | | | | | | | | | | | | | | | |
| Encumbrances | Charged to United Overseas Bank (Malaysia) Berhad via Presentation No. 15845/2013, which was registered on 5 June 2013 ⁽¹⁾ | | | | | | | | | | | | | | | | | | | | | | |

| Particulars | Description | | | | | | | | |
|------------------------|---|--|-------------|-----|---|-----|--|-----|--|
| Endorsement | <table border="1"> <thead> <tr> <th>Lot No.</th> <th>Endorsement</th> </tr> </thead> <tbody> <tr> <td>369</td> <td>Declaration as "Tanah Pekan" via Presentation No. 21806/2005, which was registered on 3 July 2005</td> </tr> <tr> <td>422</td> <td>Declaration as "Tanah Pekan" via Presentation No. 19745/2005, which was registered on 24 June 2005</td> </tr> <tr> <td>665</td> <td>Declaration as "Tanah Pekan" via Presentation No. 19747/2005, which was registered on 24 June 2005</td> </tr> </tbody> </table> | Lot No. | Endorsement | 369 | Declaration as "Tanah Pekan" via Presentation No. 21806/2005, which was registered on 3 July 2005 | 422 | Declaration as "Tanah Pekan" via Presentation No. 19745/2005, which was registered on 24 June 2005 | 665 | Declaration as "Tanah Pekan" via Presentation No. 19747/2005, which was registered on 24 June 2005 |
| | Lot No. | Endorsement | | | | | | | |
| | 369 | Declaration as "Tanah Pekan" via Presentation No. 21806/2005, which was registered on 3 July 2005 | | | | | | | |
| | 422 | Declaration as "Tanah Pekan" via Presentation No. 19745/2005, which was registered on 24 June 2005 | | | | | | | |
| 665 | Declaration as "Tanah Pekan" via Presentation No. 19747/2005, which was registered on 24 June 2005 | | | | | | | | |
| Audited net book value | RM6.65 million as at 31 December 2017 | | | | | | | | |
| Date of valuation | 20 January 2019 | | | | | | | | |
| Market value | RM36.00 million ⁽²⁾ | | | | | | | | |

(Source: Management of the Company)

Notes:

- (1) As part of the Conditions Precedent, Penmaland is responsible for the conversion of category of land use in respect of the Tampin Land for the purposes of the Development and is also responsible for the discharge of the Existing Charge so as to allow DCRSB to charge the Tampin Land to the Financiers for the purposes of securing financing for the Development.
- (2) The Company had appointed IVPS to undertake an independent valuation on the Tampin Land for its internal use. IVPS had ascribed a market value of RM36.00 million to the Tampin Land using two (2) methods of valuation namely, the residual method and comparison method.

For information purposes, the residual method involves a value being given to the GDV of the Tampin Land and deducting therefrom the estimated costs of the Development including, among others, preliminaries, earthworks, authority charges, construction costs and professional fees, financing charges and developer's profit and the resultant amount is discounted over the project period. On the other hand, in the comparison method, recent transactions and asking prices of similar properties in and around the locality are analysed for comparison purposes and adjustments are made for differences in locality, accessibility, land size, tenure, title status, shape/terrain, planning approval, title restrictions (if any) and other relevant characteristics to arrive at the market value.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED JOINT DEVELOPMENT

The Group is principally involved in maintenance work for federal and state roads, construction of buildings and infrastructure, property development, provision of civil engineering work and related services, trading and manufacturing of construction materials as well as provision of tertiary education. The Group's revenue is mainly generated from its maintenance and construction segments as well as its trading and manufacturing segment.

At present, the Group has an ongoing property project in Kajang namely, De Centrum City. It is a 100-acres high rise mixed development located in south Kuala Lumpur, comprising various blocks of condominium, apartment units, small office/home office (SOHO) units, shops and a retail mall with an estimated GDV of approximately RM10 billion. The development is expected to span across another 10 years and has an undeveloped land area of approximately 79 acres as at 31 December 2018.

Other projects of the Group include:

- (i) a commercial development on a parcel of land measuring approximately 14.5 acres located in Pasir Gudang, Johor; and
- (ii) a residential project comprising apartment buildings with retail units on a 1.85-acres 99-year leasehold land (expiring on 29 July 2113) located in Kota Bharu, Kelantan. The development in Kota Bharu, Kelantan is a joint venture between Jalur Saujana Sdn Bhd, a subsidiary of Protasco Development Sdn Bhd, which in turn is a subsidiary of the Company and the Kelantan Strategic Economic Development Corporation.

However, in view of the subdued market demand for high rise mixed and commercial developments as well as stringent lending policies imposed by financial institutions, during the financial years ended (“FYE”) 31 December 2017 and 2018, the Group’s property segment reported profit before taxation of approximately RM1.43 million and loss before taxation of approximately RM7.20 million respectively, on the back of revenue of approximately RM4.14 million and RM9.26 million respectively.

Notwithstanding the above, the Group recognises that the demand for houses priced below RM500,000 remain strong and believes that the demand for houses outside the Klang Valley is still strong. The management of the Company noted from IVPS’s valuation report for the Tampin Land which was prepared for the Company’s internal use, that the House Price Index for Negeri Sembilan has registered a positive growth of 74.3% for all residential sectors from 2010 to 2017 while the price index recorded a 64.9% growth for terraced houses in the region of Tampin during the same period. Hence, the overall residential market in Negeri Sembilan is expected to remain healthy albeit at a slower growth pace.

The Tampin Land is also one of the few parcels of land of such size with an approved development plan that is located within a three (3) kilometres radius from Tampin town. Furthermore, neighbouring housing schemes, namely Taman Clonlee and Taman Indah are already fully developed of which units are approximately 90% occupied.

As such, the Board is of the opinion that the Proposed Joint Development comes at an opportune time for the Group to venture into a mass housing project outside the Klang Valley where landed properties remain in demand and are more affordable. The Proposed Joint Development will also enable the Group to increase its landbank available for development and replenish the Group’s property development pipeline which in turn, is expected to improve its revenue and profit from the property development segment moving forward.

The Board is also of the opinion that the Proposed Joint Development is a more feasible method of obtaining the Tampin Land for development without incurring significant upfront cost and funding costs, as opposed to an outright land acquisition. The Proposed Joint Development will also allow the Group to better manage its cash flows and resources for the Project as DCRSB has the flexibility to launch the Development in phases as and when DCRSB deems fit, and the Balance Proprietor’s Entitlement will only be paid to Penmaland on a deferred basis. As it is the intention of the management of the Company to embark on a subsequent phase of the Development only after it has achieved a take-up rate of at least 60% for the previous launched phase(s), DCRSB would be able to better control its cash flows as well as reduce the risk of holding high number of unsold Units.

5. PROPECTS OF THE TAMPIN LAND AND THE DEVELOPMENT

As set out in Section 3 of this Announcement, the Tampin Land is adjoining to Tampin’s prominent and established residential schemes, namely Taman Clonlee and Taman Indah. It is also located just 2.3 kilometres from Tampin town, which is the main commercial and administrative centre for the region and has good connectivity to major arterial roads such as Jalan Besar Tampin, Jalan Seremban-Tampin, Jalan Tampin-Gemas, Jalan Pulau Sebang-Tampin and the North-South Expressway.

The Tampin Land has been approved to be developed as a mixed residential development comprising 703 units of terraced houses, 32 units of semi-detached houses, 71 units of bungalows, three (3) homestay units and a commercial lot. The Development, known as “Denai Hills”, is conceptualised to provide a pleasant living experience that is nested within a forest and within a guarded and low density community of only six (6) units per acre. It is also expected to offer complete facilities and amenities to its residents. Given that the housing supply in the locality of Tampin predominantly comprises old housing schemes which are developed more than 25 years ago and the Development is within a guarded and low density community, the Development could potentially appeal to home upgraders and other buyers, especially those key workers who currently work within a 50 kilometres radius of the Tampin Land.

99.5% of the Development is made up of landed residential properties of which 57% consists of affordable housing priced at or below RM400,000. Raine & Horne International Zaki + Partners Sdn Bhd (“**Raine & Horne**”), the property market researcher appointed by the Company to assess the marketability and viability of the Development, is of the view that the Development is viable based on the management’s recommended selling prices of the Units comprised in the Development.

In forming its view on the Development, Raine & Horne had also taken into consideration the following:

- (i) the population of Tampin and its neighbouring district, Alor Gajah had increased by 22% from 2010 (231,218) to 2016 (282,600); and
- (ii) the existing supply of residential properties in Tampin and Alor Gajah districts as at 3rd quarter of 2018 of 17,062 units and 36,511 units respectively, with the incoming supply of residential properties for the same period in Tampin and Alor Gajah districts of 888 units and 6,983 units respectively, as well as the healthy levels of overhang units for Tampin and Alor Gajah districts at just 21 units and 33 units respectively.

*(Source: Market assessment and project viability analysis of the Development from Raine & Horne dated 8 February 2019 (“**Market Feasibility Report**”))*

6. RISK FACTORS

6.1 Non-completion risk

Completion of the Proposed Joint Development is subject to the fulfilment of the Conditions Precedent which include, among others, the approval of shareholders of Protasco for the Proposed Joint Development, the remaining validity of the Existing Planning Approval and the conversion of category of land use of the Tampin Land as well as the performance by the relevant Parties of their respective obligations as set out in the JDA. If the Parties are unable to fulfil or waive the Conditions Precedent and/or perform their obligations in accordance with the terms of the JDA, the Proposed Joint Development may not be completed and the Group will not be able to reap the anticipated benefits from the Proposed Joint Development, as stated in Section 4 of this Announcement. However, in the event the Conditions Precedent are not fulfilled or waived within the Conditional Period, Penmaland shall refund the First Payment to DCRSB.

Nevertheless, the Board will take all reasonable steps to ensure that the Conditions Precedent are met within the stipulated timeframe and that every effort is taken to obtain the necessary approvals and to perform its obligations in accordance with the terms of the JDA in order to complete the Proposed Joint Development in a timely manner.

6.2 Risk of property overhang and/or unsold properties under the Project

Property overhang is commonly caused by oversupply and/or low take-up rate of new property launches by property developers. Other factors contributing to property overhang may include economic downturn and unfavourable market conditions. Any prolonged rise in the property overhang situation would inevitably result in the Group potentially holding a high number of unsold properties. Apart from the general property overhang situation, an increase in the number of unsold properties in the property market may also be due to other factors such as weak response to the launched properties, location of the development and changes in consumer preferences.

The Group will seek to minimise such risks by:

- (i) closely monitoring the development in the property market in Negeri Sembilan and plan their launches for each phase of the Development carefully;
- (ii) carefully selecting the type of property products to be built, in order to better anticipate and respond to the requirements and needs of the end purchasers as well as meet or exceed their evolving expectations in terms of design, material specifications and lifestyle preferences; and
- (iii) offering competitively priced properties.

However, there can be no assurance that the risk of property overhang will not have a material impact on the Group's financial performance.

6.3 Other business risks

The Proposed Joint Development is subject to other risks inherent to the property development industry which the Group is already involved in. Such risks may include adverse changes in real estate market prices, changes in demand for types of residential properties, competition from other property developers, changes in economic, social and political conditions, delay in completion of property development projects against the scheduled completion, performance of third party sub-contractors, labour and material supply shortages, fluctuations in the prices of building materials and costs of labour charges as well as adverse changes in property tax, assessment and other statutory charges. Any adverse change in such conditions may have an adverse material effect on the Group.

The Group will take measures to mitigate the above risks such as conducting market surveys, monitoring and adjusting its development and marketing strategies in response to changing economic conditions and market demand, conducting continuous reviews of its operations, as well as closely monitoring the progress of the Development.

6.4 Funding risk

The Group may seek external financing to fund the remaining Proprietor's Entitlement and/or the Development. The Group's ability to arrange for external financing 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 the Group, restrictions imposed by the Malaysian Government as well as political, social and economic conditions in Malaysia. Notwithstanding that the Group is allowed to charge the Tampin Land for securing financing for the Development upon the release of the First Payment to Penmaland and the discharge of the Existing Charge by Penmaland, there can be no assurance that the necessary financing will be available in amounts or on terms acceptable to the Group. In addition, the Group could potentially be exposed to fluctuations in interest rates on such external financing obtained, leading to higher borrowing costs which may adversely affect the Group's future results of operations and financial performance as well as the Group's ability to service future loan repayment obligations.

Nevertheless, the Group will continuously monitor and review its debt portfolio, which includes taking into consideration its gearing level, interest costs as well as cash flows in achieving an overall optimal capital structure.

7. EFFECTS OF THE PROPOSED JOINT DEVELOPMENT

The pro forma effects of the Proposed Joint Development are set out below:

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Joint Development will not have any effect on the issued share capital and the shareholding of the substantial shareholders of the Company as it does not involve any issuance of ordinary shares in the Company.

7.2 Earnings per share ("EPS")

The Proposed Joint Development is not expected to have any material effect on the consolidated earnings and EPS of the Company for the financial year ending 31 December 2019. Nevertheless, the Proposed Joint Development is expected to contribute positively to the Group's earnings and EPS in the ensuing years upon recognition of the development profits arising from the Development.

7.3 Net assets ("NA") per share and gearing

The Proposed Joint Development is not expected to have any material effect on the consolidated NA and NA per share of the Company. Nevertheless, the Proposed Joint Development is expected to contribute positively to the Group's NA per share in the ensuing years upon recognition of the development profits arising from the Development.

The Proposed Joint Development is also not expected to have any material effect on the consolidated gearing of the Company. However, should the Group raise additional borrowings to fund the remaining Proprietor's Entitlement and/or Development, the Group's gearing may increase accordingly.

8. APPROVALS REQUIRED

The Proposed Joint Development is subject to and conditional upon the following approvals being obtained:

- (i) shareholders of Protasco at an EGM to be convened; and
- (ii) any other relevant authorities and/or parties, if required.

The Proposed Joint Development is not conditional upon any other corporate proposal undertaken or to be undertaken by Protasco.

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

Dato' Sri Chong, the Executive Vice Chairman/Group Managing Director of Protasco, is also a director and major shareholder of Penmaland. He is also a major shareholder of Protasco through his direct interest as well as indirect interest through Penmacorp Sdn Bhd ("**Penmacorp**") as well as his spouse and children's shareholdings in Protasco. As such, Dato' Sri Chong is deemed interested in the Proposed Joint Development.

In addition, Dato' Sri Chong is also the director and major shareholder of Penmacorp, which in turn is a major shareholder of Protasco.

The direct and indirect interest of Dato' Sri Chong and Penmacorp in Protasco as at LPD are set out below:

| | Direct | | Indirect | |
|-----------------|---------------|-------|---------------------------|-------|
| | No. of shares | * % | No. of shares | * % |
| Dato' Sri Chong | 93,626,376 | 19.03 | ⁽¹⁾ 52,531,321 | 10.68 |
| Penmacorp | 45,597,197 | 10.68 | - | - |

Notes:

* *Calculated based on the total issued share capital of the Company as at LPD (excluding 3,383,400 treasury shares held by the Company).*

(1) *Deemed interested through his shareholding in Penmacorp pursuant to Section 8 of the Act and his spouse and children's shareholdings in the Company pursuant to Section 59(11)(c) of the Act.*

Accordingly, Dato' Sri Chong has abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Joint Development. Dato' Sri Chong and Penmacorp will also abstain from voting in respect of their direct and/or indirect interest in Protasco on the resolution pertaining to the Proposed Joint Development to be tabled at an EGM to be convened and they have undertaken that they shall ensure that persons connected with them will also abstain from voting in respect of their direct and/or indirect interest in Protasco on the resolution pertaining to the Proposed Joint Development to be tabled at an EGM to be convened.

Save as disclosed above, none of the Directors and/or major shareholders of Protasco and/or persons connected with them have any interest, direct or indirect, in the Proposed Joint Development.

10. TRANSACTIONS WITH THE RELATED PARTY IN THE PAST 12 MONTHS

Save for the Proposed Joint Development, there has been no transaction entered into between the Group and Dato' Sri Chong and/or persons connected to him for the 12 months preceding the date of this Announcement.

11. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Protasco, having considered all aspects to the Proposed Joint Development including the salient terms of the JDA, basis and justification of the Proprietor's Entitlement, rationale for and benefits of the Proposed Joint Development, prospects of the Tampin Land and the Development as well as the fairness evaluation of the Independent Adviser, is of the opinion that the Proposed Joint Development is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of the Company.

12. DIRECTORS' STATEMENT

The Board (save for Dato' Sri Chong), having considered all aspects to the Proposed Joint Development including the salient terms of the JDA, basis and justification of the Proprietor's Entitlement, rationale for and benefits of the Proposed Joint Development, prospects of the Tampin Land and the Development as well as the fairness evaluation of the Independent Adviser, is of the opinion that the Proposed Joint Development is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of the Company.

13. PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Joint Development under Paragraph 10.02(g) of the Listing Requirements is approximately 30.16%, computed based on the estimated GDC of the Project (including the Tampin Land cost of RM48.60 million and financing cost, but excluding tax) over the audited consolidated total assets of the Company as at 31 December 2017.

14. ADVISERS

14.1 Principal Adviser

RHB Investment Bank has been appointed as the Principal Adviser to Protasco for the Proposed Joint Development.

14.2 Independent Adviser

In view that the Proposed Joint Development is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements, Public Investment Bank Berhad has been appointed as the Independent Adviser. The role of the Independent Adviser is:

- (i) to comment as to whether the Proposed Joint Development:
 - (a) is fair and reasonable so far as the non-interested shareholders of Protasco are concerned; and
 - (b) is to the detriment of the non-interested shareholders of Protasco,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) to advise the non-interested shareholders of Protasco on whether they should vote in favour of the Proposed Joint Development; and
- (iii) to take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subparagraphs (i) and (ii) above.

15. APPLICATION TO THE AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposed Joint Development is expected to be made within two (2) months from the date of this Announcement.

16. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities and parties being obtained, the Proposed Joint Development is expected to be implemented by the 3rd quarter of 2019.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Protasco at 802, 8th Floor, Block C, Kelana Square, 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement:

- (i) JDA and Power of Attorney; and
- (ii) Market Feasibility Report.

This Announcement is dated 1 March 2019.