

MRCB-QUILL REIT (“MQREIT”)

PROPOSED DISPOSAL OF QUILL BUILDING 5 BY MAYBANK TRUSTEES BERHAD, AS TRUSTEE FOR MRCB-QUILL REIT TO DERIV SERVICES SDN BHD FOR A CASH CONSIDERATION OF RM45.0 MILLION

1. INTRODUCTION

MRCB Quill Management Sdn Bhd (“MQM” or “the Manager”), being the manager of MRCB-Quill REIT (“MQREIT”), wishes to announce that Maybank Trustees Berhad (“MTB” or “Trustee”), acting solely in the capacity as trustee for MQREIT, had on 12 November 2020 entered into a sale and purchase agreement (“SPA”) with Deriv Services Sdn Bhd (“DSSB” or “the Purchaser”) for the Proposed Disposal of Quill Building 5 (“the Property” or “QB5”) for a cash consideration of RM45.0 million (“Proposed Disposal”).

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on the Property

The Property is a 5 storey office building with 1 level of sub-basement and 1 ½ level of a basement car park erected on a freehold land held under HSD 30754, PT 43965, Mukim Dengkil, District of Sepang, Selangor Darul Ehsan.

The details of the Property are as follows:

Postal Address	Quill Building 5, No 3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor
Date of acquisition	14 March 2008
Original cost of investment	RM43.0 million
Encumbrances on the Property	Charged to Hong Leong Investment Bank Berhad Berhad (Company Registration No. 197001000928 (10209-W) as security agent vide Presentation No.22507/2014 registered on 7 March 2014 (“Existing Chargee”)
Category of land use	Building
Express condition	Commercial Building
Land Area	6,480 sq. m. (69,750 sq. ft.)
Tenure	Freehold
Gross Floor Area	227,039 sq. ft.
Net Lettable Area	81,602 sq. ft.
Approximate age of building	13 years
Occupancy as at 30 September 2020	Vacant
Tenant	-
Parking bays (lots)	283 car park bays
Audited Net Book Value as at 31 December 2019	RM40.0 million

2.2 Basis of the Disposal Price

The Disposal Price was arrived at on a willing-buyer willing-seller basis after taking into account the market value of the Property of RM40.0 million as appraised by Knight Frank Malaysia Sdn Bhd, an independent firm of registered valuers, in its valuation report dated 2 October 2020 (Date of Valuation – 15 September 2020). The valuation is derived using investment and comparison method of valuation and is below the Disposal Price.

2.3 Liabilities Assumed by the Purchaser

There is no liability, including contingent liabilities and guarantees, to be assumed by DSSB

2.4 Salient Terms and Conditions of the SPA

The salient terms include, amongst others, the following:

The Disposal Price for the Property of RM45.0 million is payable in the following manner:

- a. upon acceptance of the offer to purchase by the Manager, the Purchaser has paid to MTB the sum equivalent to two per centum (2%) of the Purchase Price amounting to RM900,000.00 only ("**Earnest Deposit**");
- b. immediately upon execution of the SPA, the Purchaser shall pay to MTB the sum equivalent to eight per centum (8%) of the Purchase Price amounting to RM3,600,000.00 only ("**Balance Deposit**") and such Balance Deposit shall be treated as part payment towards the Purchase Price; and
- c. ninety per centum (90%) of the Purchase Price amounting to RM40,500,000.00 only ("**Balance Purchase Price**") to be paid to the Existing Chargee and/or MTB's solicitors as stakeholders within the Completion Period.

The Proposed Disposal shall be subject to, amongst others, the following conditions precedent to be fulfilled within six (6) months from the date of the SPA or such later period to be agreed upon in accordance with the terms of the SPA:

- a. MTB to obtain the written consent from the state authority of Selangor to transfer the land to the Purchaser ("**Consent to Transfer**") and if the Land Registry requires the Foreigner's Consent to process the same, it shall be obtained by MTB only after the Purchaser has obtained and forwarded to MTB's solicitor the Foreigner's Consent;
- b. MTB to obtain written consent from the Existing Chargee of the Term Loan Facility in relation to the Proposed Disposal, including letters of no objection for the application of the Consent to Transfer and other approvals required under the SPA ("**Existing Chargee's Consent**");
- c. the Purchaser, being a foreign owned company to obtain written consent from the Economic Planning Unit ("**EPU**") or written confirmation from EPU that its consent is not required or is waived, in respect of the acquisition of the Property ("**the Consent to Acquire**"); and
- d. the Purchaser, being a foreign owned company to obtain written consent from the state authority of Selangor to acquire the land from MTB after MTB has obtained and forwarded to the Purchaser's solicitors:
 - the Consent to Transfer, if required by the Land Registry,
 - the Existing Chargee's Consent, and
 - the Consent to Acquire from EPU, if required by the Land registry

3 INFORMATION OF THE PURCHASER

DSSB was incorporated in Malaysia on 23 April 2004 as a private limited company and is the operational headquarters of the Deriv Ltd. group of companies. DSSB has an issued and paid-up capital of RM2.0 million comprising of 2 million ordinary shares.

Details of the directors and shareholders of DSSB are as follows:

	Nationality / Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Directors					
Shyamala A/P S. Sivasupramaniam	Malaysian	-	-	-	-
Jean-Yves Christian Sireau	French	-	-	1,622,200	81.11
Shareholders					
		No. of share	%	No. of shares	%
Deric (Labuan) Limited		2,000,000	100.0	-	-

4 RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is in line with the objective of MQREIT and the Manager's strategy to regularly evaluate and rejuvenate MQREIT's property portfolio. The Manager opines that it has optimised the potential of the Property and given the favourable Disposal Price for the sale of this asset, it is an opportune time to dispose of this asset. The proceeds from the Proposed Disposal may be utilised, amongst others to repay existing borrowings and re-deploy the capital for asset enhancement initiatives and investments in other assets.

5 EFFECTS OF THE PROPOSED DISPOSAL

5.1 Unitholders' Capital and Substantial Unitholders' Unitholding

The Proposed Disposal will not have any effect on the total units of MQREIT in issue and substantial unitholders' unitholding in MQREIT, as the Disposal Price will be satisfied entirely in cash.

5.2 Net Asset Value ("NAV")

There will be no material impact on the NAV of MQREIT upon the completion of the Proposed Disposal.

5.3 Earnings

The expected net gain arising from the Proposed Disposal is approximately RM3.73 million and will have no material impact to the earnings of MQREIT for the financial year ending 31 December 2020.

6 UTILISATION OF PROCEED FROM THE DISPOSAL AND GEARING

The net proceeds of the Proposed Disposal, after deducting all fees and expenses relating to the Proposed Disposal, will be utilised to repay existing borrowings, asset enhancement initiatives, investments in other yield accretive properties and working capital purposes. The net proceeds are expected to be utilised within 12 months from the date of completion of the Proposed Disposal.

7 PERCENTAGE RATIO

The percentage ratio applicable for a REIT in respect of the Proposed Disposal pursuant to Paragraph 10.02(g)(vi) of the Listing Requirements is approximately 1.8%, computed based on the Disposal Price compared with the latest audited total asset value of MQREIT as at 31 December 2019.

8 INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDER OF MQM AND MAJOR UNITHOLDERS OF MQREIT

None of the Directors or major shareholders of MQM and/or major unitholders of MQREIT or persons connected with them, has interest, direct or indirect, in the Proposed Disposal.

9 APPROVALS REQUIRED FOR THE PROPOSED DISPOSAL

The Proposed Disposal is not subject to the approval of the unitholders of MQREIT.

10 DIRECTORS' STATEMENT

The Board of Directors of the Manager, having considered all aspects of the Proposed Disposal and after careful deliberation is of the opinion that the Proposed Disposal is in the best interest of MQREIT.

11 ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the second quarter of 2021.

12 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from Monday to Friday (except on public holidays) at the registered office of MQM at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur for a period of three (3) months from the date of this announcement:

- (i) The SPA; and
- (ii) The valuation report on the Property dated 2 October 2020.

This announcement is dated 12 November 2020.