

ANNOUNCEMENT

GABUNGAN AQRS BERHAD (“GBGAQRS” OR “THE COMPANY”)

- **SUPPLEMENTAL AGREEMENT TO THE PROPOSED JOINT VENTURE (“PROPOSED JV”) BETWEEN THE COMPANY AND SURIA CAPITAL HOLDINGS BERHAD (“SURIA CAPITAL”) TO DEVELOP A PARCEL OF LAND OWNED BY SURIA CAPITAL MEASURING 6.28 ACRES SITUATED AT JALAN TANJUNG LIPAT, KOTA KINABALU, SABAH**

(Unless stated otherwise, the terms used herein shall carry the same meaning as those defined in the earlier announcements dated 16 March 2015, 23 April 2015 and 19 January 2017 in relation to the Proposed JV.)

1. Introduction

We refer to GBGAQRS’s announcements dated 16 March 2015, 23 April 2015 and 19 January 2017 in relation to the Proposed JV between the Company and Suria Capital to develop a parcel of land owned by Suria Capital measuring 6.28 acres forming part of the piece of master land of 23.25 acres situated at Jalan Tanjung Lipat, Kota Kinabalu, Sabah for the purpose of commercially developing the Development Land into a mixed development currently provisionally known as *One Jesselton Waterfront*.

A thorough master planning and traffic study was carried out on the land and the traffic study was approved in May 2016. The 6.28 acres land held under Title No. 017561974 is net land area available for development with direct ingress and egress to the main road, direct power tapping from the completed PMU on the land directly opposite and with all other infrastructures ready.

The Board of Directors of GBGAQRS wishes to announce that GBGAQRS had, on 24 January 2020, entered into a Supplemental Agreement (“Supplemental Agreement”) with Suria Capital to vary certain terms of the JVA.

The Salient terms of the Supplemental Agreement are set out below.

2. Salient Features of the Supplemental Agreement

The salient features of the Supplemental Agreement are as follows: -

(i) Terms of Agreement

The rights and obligations of the Parties under this JVA shall come into force on the date of this Supplemental Agreement.

(ii) Suria Capital’s Entitlement

Suria Capital and GBGAQRS had agreed for Suria Capital’s Entitlement pursuant to the JVA to be revised upward from the current 18% to 20% of the minimum Net Saleable Value (“NSV”) of RM1.1 billion. This would translate to a minimum guaranteed amount of RM220 million.

The rationale for the increase in Suria Capital's Entitlement is that value of landbank within the Kota Kinabalu Central Business District area has appreciated since the initial signing of the JVA back in March 2015.

The spurt of economic growth in the Sabah State has transformed Kota Kinabalu into a thriving hub of activities (GDP has risen by CAGR of 8.1% from 2015-2018). The average land prices in the area has appreciated by an average of 80% to 100% resulting from the scarcity of commercial land and the strong demand for prime location land in the CBD area. The rapid surge in both domestic and international tourist arrivals boosted the demand for high-quality hotel and this in turn caused the hotel room rates to increase significantly over the last 4 years (tourist arrivals CAGR of 5.1% from 2015-2018).

The rising trend in value appreciation will result in higher earnings from the development of *One Jesselton Waterfront*.

(Source: Department of Statistics, Research Division For Sabah Tourism)

(iii) Payment of Suria Capital's Entitlement

The payment structure for fulfilment of Suria Capital's Entitlement under the JVA has also been revised as set out in the attachment to this announcement, which incorporates, apart from the entitlement in-kind, cash payments via 5 tranches to Suria Capital and the issuance of Bank Guarantees and a Corporate Guarantee.

(iv) Third Party Charge on Land

In accordance to the JVA clause 6.4, subject to the written permission from the Director of Lands and Surveys, Suria Capital agrees to provide a third party charge on the total net development land area of 6.28 acres held under Title No. 017561974 to secure the payment or repayment of any banking or financial facilities to be granted to GBGAQRS solely for the purpose of the development of the Development Land and for the purpose of securing the issuance of Bank Guarantee.

(v) Conditions Subsequent ("CS")

Parties shall use its best endeavours to comply and fulfil the following CS before 24 January 2021 or any extended period as the Parties may mutually agree in writing ("the CS Period):-

- (a) GBGAQRS, at its own costs and expense, applying for and obtaining the approval of the Director of Lands and Surveys Department of the State of Sabah and/or any other relevant authority for the charge of the Development Land by GBGAQRS to the financier;
- (b) GBGAQRS obtaining the approval from the relevant authorities for the development plan and Building Plan for the Project. GBGAQRS, had in 2018, submitted the interim development plan to the relevant authorities and shall use its best efforts to procure approvals of the development plan and Building Plan within the CS Period.

The Parties agree that the CS must be satisfied within the CS Period and that the date when all the CS are met or waived (in writing by the parties) as the case may be shall be the "Effective Date".

(vi) **Other Variations**

The construction of a temporary Jesselton Point Ferry Terminal shall be undertaken by Suria Capital at its own cost and is expected to commence in the first quarter of 2020. Upon the erection of the temporary Jesselton Point Ferry Terminal, the vacant site of Jesselton Point operating land will be delivered to GBGAQRS for *One Jesselton Waterfront* development.

3. Prospects of the One Jesselton Waterfront Project

A Historical Landmark Next to One Jesselton Waterfront

One Jesselton Waterfront sits on a historical site with more than 100 years of history since the British North Borneo Company (BNBC) first set up a settlement near the Gaya Island in the 19th century. In July 1899, Mr. Henry Walker, a Land Commissioner, identified a site opposite Gaya Island as a replacement for the settlement which is the current Jesselton Port. It is a historical landmark in Kota Kinabalu with sentimental value apart from its prime commercial value.

One Jesselton Waterfront is located at the Jesselton Point (Jesselton Pier) which is a quaintly scenic place that has an unmistakable historical feel to it, complete with olden day snapshots of Kota Kinabalu city (formerly known as Jesselton) and vintage red English phone booths. Today, Jesselton Point serves as the only ferry terminal for Labuan-bound passengers as well as the main boat terminal for the Tunku Abdul Rahman Marine Park and Gaya Island. Jesselton Point currently houses the International Cruise Terminal which is a port of call for over 60 cruises across the world.

(Source: <https://www.propertyhunter.com.my/news/2016/09/2908/sabah/kota-kinabalu-a-walk-down-memory-lane>)

Land Value

One Jesselton Waterfront is an integrated waterfront development that sits on 6.28 acres of leasehold commercial land within the Jesselton Waterfront City (JWC) master plan. It is the last piece of prime commercial waterfront land in Kota Kinabalu's Central Business District and is located next to the Jesselton Point Ferry Terminal and the International Cruise Terminal.

Situated on the most prime location of the commercial plot, coupled with the significant historical value of the Land, the value is estimated in the region of RM1,000 psf. As a reference, a recent transaction of a piece of seaview land on the row across the street without sea frontage was recorded at RM1,107 psf.

(Source: *Valuation Report from Valuation and Property Services Department, Kota Kinabalu*)

Authority Submission Status and Site Works

A comprehensive Traffic Study for the entire *One Jesselton Waterfront* was undertaken to ensure the most effective traffic management for the development project. Following the approval of our Traffic Study in May 2016, the construction of the access road to the *One Jesselton Waterfront* Site was undertaken by Jabatan Kerja Raya (JKR) of Sabah and has now been completed. The new traffic design has a separation of the through traffic with a more effective traffic disbursement and allows direct access to *One Jesselton Waterfront* for Central Business District bound and Likas bound traffic.

The updated Interim Development Plan (IDP) was submitted by the Central Planning Board (CPB) to all the Technical Departments on 1 August, 2019. The CPB has subsequently received the feedback from all the Technical departments since 31 October 2019 and is currently listing the IDP to be tabled in the next CPB meeting for final approval.

GBGAQRS completed all site investigation (S.I.) works on 11 June 2019 which are crucial for the design of the foundation work for the development. GBGAQRS is working with world renowned architects, designers and professionals to ensure that *One Jesselton Waterfront* would be designed in compliance with international seismic requirements.

Master Plan and Development Components

A world-renowned waterfront master planner was engaged to design the integrated development with multi-faced offering comprising of a shopping mall, 4-star hotel & spa, Grade A corporate office tower, serviced residence and waterfront condominium that would capitalize the panoramic waterfront view of the South China Sea that also offers one of the best sunset views in the world. It is poised to become an iconic landscape as the city's new waterfront and premier tourism frontier which is marina focused, complete with its own ferry jetty and international cruise terminal. All these developments are paving the way for the regeneration of the old Jesselton port area.

a) One Jesselton Shopping Mall

The One Jesselton Shopping Mall is strategically located between the Jesselton Point Ferry Terminal and International Cruise Terminal. The 4-storey mall has total net lettable area of 390,000 square feet with 2 basements that offers 1,180 carpark bays. The mall would house luxury brands and premium outlets targeted to international tourists and local upmarket. It also provides exclusive waterfront dining experience with Signature F&B outlets which are connected to the 30-meter width boardwalk that overlooking the seafront. On the top floor, the mall also would have a special designed playland cater for children and families.

GBGAQRS is currently working closely with international retail planners and leasing professionals to efficiently design the internal layout of the shopping mall to ensure that an excellent tenant mix to cater for both the premium local market and international tourists in Kota Kinabalu.

Once completed, by virtue of the settlement in-kind to Suria Capital's entitlement, One Jesselton Shopping Mall will be owned by Suria Capital and GBGAQRS according to their respective allocations pursuant to the JVA. Suria Capital currently operates the Jesselton Point Ferry Terminal and the International Cruise Terminal.

b) 4-Star Hotel & Spa

Due to the high tourist arrivals in Kota Kinabalu, which recorded 3.9 million tourists in 2018 and 3.8 million tourist arrivals (Jan to Nov 2019), hotels are in high demand for tourists as well as business travellers. The 4-star hotel & spa will offer 400 guest rooms and suites, an 800-pax capacity ballroom, and spa facilities. On the 31st level, a rooftop sky bar offering an ultra-chic lounge and dining experience, while enjoying the mesmerising view of Kota Kinabalu's sunset. We would position the hotel to become the most sought-after hotel for tourists due to its direct waterfront location, while being complemented with direct access to a shopping mall and the ferry and cruise terminals. Additionally, the hotel would also be able to capitalise on the operations of the largest world-class convention centre in Sabah that is located 800-meters away, the Sabah International Convention Centre (SICC), which is slated to begin operations in 2020.

(Source: MASB, Sabah / Immigration Dept, Sabah/Air Asia, Research Division For Sabah Tourism)
(Source: <https://www.theedgemarkets.com/article/cover-story-growing-demand-goodquality-hotels-kota-kinabalu>)

e) Grade A Corporate Office Tower

The Grade A corporate office tower would span across 4 floors below the 4-star hotel & spa with net lettable area of 52,000 square feet. The Grade A corporate office tower is part of the settlement in-kind to Suria Capital and will be Suria Capital's new corporate office upon completion.

d) Waterfront Lifestyle Homes - Condominium & Serviced Residence

i) Waterfront Condominium

The waterfront condominium would offer 330 units of impeccably designed dwellings with a total net sellable area of 423,400 square feet. It would be positioned as *The Address* of Kota Kinabalu Waterfront Lifestyle Homes. Each waterfront condominium will be furnished with refined kitchen cabinets complete with appliances, wardrobes and luxury sanitary ware and fittings. The sea view master bathrooms will be furnished with elegant bathtubs overlooking the mesmerizing sea view.

Spread over 19-levels, there would be 126 units Kota Kinabalu view condominium (90 units 900 square feet Type A1; 18 units Type A2; 18 units Type A3) and 185 units direct sea view condominium (131 units 1,350 square feet Type B1; 36 units Type B2; 18 units Type B3). Aside that, there would be 18-premium units (Type C), offering residents 2,800 square feet of floor space and a 270-degree view of the South China Sea. Located on the top floor of the special stack of Type C units and closest to the sea would be the Penthouse, a unit with a dedicated private lift that is designed as a luxurious single-storey bungalow with a 360-degree view of the South China Sea and Kota Kinabalu.

ii) Serviced Residence

There is a high demand for commercial serviced suites properties in Kota Kinabalu in recent years. Our 325-unit fully-furnished serviced residences will be complemented with a privileged access to unrivalled experiences, innovative amenities and bespoke services such as a dedicated concierge service, daily housekeeping, childcare service, in-residence dining options, and other added services that are offered by the 4-star hotel & spa next door. The serviced residences will be an appealing product for both local and international investors.

(Source: <https://www.theedgemarkets.com/article/cover-story-growing-demand-goodquality-hotels-kota-kinabalu>)

Spread over 25-floors, there would be 175 Kota Kinabalu view units with modern loft design (approximately 550 square feet), providing the flexibility of having one open plan wide space and a bedroom with privacy. Facing the breath-taking harbour is 150 exclusive sea view units (688 square feet for typical units and 880 square feet for corner units) fitted with elegant bathtubs in master bathrooms overlooking the sea.

Both the waterfront condominium and serviced residence have progressed to marketing and preview launching stage with the appointment of Tera Realty as an exclusive international marketing agent. GBGAQRS and Tera Realty are working closely on the marketing plan of *One Jesselton Waterfront* Condominium and Serviced Residence and will start marketing in China cities in second quarter of the

calendar year of 2020. GBGAQRS and Tera Realty will collaborate and begin roadshow marketing in the third quarter of calendar year of 2020 in Shanghai, and are also exploring to extend the roadshow to cities in Korea, Japan and Taiwan at the end of 2020.

4. Documents for Inspection

The Supplemental Agreement dated 24 January 2020 is available for inspection at the Registered Office of the Company at G-58-1, Blok G, Jalan Teknologi 3/9, Bistari 'De' Kota, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan from Mondays to Fridays (except public holidays) during normal business hours for a period of three (3) months from the date of this announcement.

This announcement is dated 24 January 2020.

**ONE JESSELTON WATERFRONT AT JESSELTON WATERFRONT CITY, KOTA KINABALU, SABAH
THE NEW PAYMENT STRUCTURE**

	Minimum Guaranteed Amount (“MGA”) (RM’million)	Due Date for Payment	Cumulative Payment of the MGA (RM’million)	Bank Guarantee (“BG”) & Corporate Guarantee (“CG”) Provision
First Tranche	2.0	On the execution of JVA.	2.0	-
Second Tranche	10.0 (to be offset by RM7.0 mil payable to Suria Bumiria)	Within 14 days from presentation date of the instrument of charge for the creation of the Third Party Charge (ie. Within 2 months from Effective Date).	12.0	-
Third Tranche	9.9 (to be offset by RM5.94 mil being RPGT paid by GBGAQRS on behalf of Suria Capital earlier)	On the first anniversary of the Effective Date.	21.9	-
Fourth Tranche	166.4 (in-kind)	To be settled in kind by delivering the Suria Corporate Office and the Retail Mall in accordance with the terms and conditions of Schedule 3, whereby, the value shall be calculated based on the foregoing: <ul style="list-style-type: none"> • Suria Corporate Office: RM52,010,750 • Retail Mall: RM114,394,050 	188.3	RM80.0 mil BG to be provided within 2 months from Effective Date (BG to be deducted proportionately against completion of Suria Corporate Office & Retail Mall, under Schedule 4). <u>LAD</u> <ul style="list-style-type: none"> • Suria Corporate Office: RM15,000/day • Retail Mall: RM30,000/day
Fifth Tranche	8.0	On the fourth anniversary of the Effective Date.	196.3	-
Sixth Tranche	23.7 or the balance 20% of total NSV for the project, whichever higher	On the fifth anniversary of the Effective Date and the cut off for claims falling on the date being three (3) months preceding this due date for payment. Including any excess amount from a higher sale value of the Project which exceeds the NSV.	220.0 or 20% of total NSV for the project, whichever higher	(1) RM23.7 mil BG to be provided on the 3 rd anniversary of the Effective Date. (2) RM45.0 mil CG to be provided on the 3 rd anniversary of the Effective Date

NOTES:

1. Notwithstanding anything to the contrary in this Agreement, in conjunction with the Handover Agreement entered into between Suria Bumiria and GBGAQRS, the Parties agree that Suria Capital shall give a discount to GBGAQRS amounting to RM7,000,000 out of the Second Tranche provided the same amount shall have been paid to Suria Bumiria pursuant to the Handover Agreement.
2. Parties agree that Suria Capital shall give a discount to GBGAQRS amounting to RM5.94 million out of the Third Tranche pursuant to the Real Property Gains Tax paid by GBGAQRS on behalf of Suria Capital on 29 June 2016.