

KUMPULAN KITACON BERHAD (“KITACON” OR THE “COMPANY”)

ACQUISITION BY KITACON SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KITACON, OF A PIECE OF FREEHOLD LAND LOCATED AT BANDAR BUKIT RAJA, FROM SIME DARBY PROPERTY (BUKIT RAJA) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SIME DARBY PROPERTY BERHAD, FOR A CASH CONSIDERATION OF RM13,017,888 (“LAND ACQUISITION”)

1. INTRODUCTION

The Board of Directors of Kitacon (“**Board**”) wishes to announce that Kitacon Sdn Bhd (“**KSB**” or “**Purchaser**”), a wholly-owned subsidiary of Kitacon, has on 28 April 2023 entered into a sale and purchase agreement (“**SPA**”) with Sime Darby Property (Bukit Raja) Sdn Bhd (“**Vendor**”), a wholly-owned subsidiary of Sime Darby Property Berhad, wherein the Vendor shall sell and the Purchaser shall purchase a piece of freehold land in Mukim Kapar, District of Klang, State of Selangor (“**Lot**”) for a cash consideration of RM13,017,888 (“**Purchase Consideration**”).

2. DETAILS OF THE LAND ACQUISITION

2.1 Information on the Lot

The Lot is a piece of freehold land located in Mukim Kapar, District of Klang, Selangor. It is strategically located with proximity to Port Klang, the largest port facility in Malaysia, as well as major highways such as the Federal Highway, New Klang Valley Expressway (NKVE), New North Klang Straits Bypass and West Coast Expressway.

Further details of the Lot are set out below:

Title description	: Currently identified as Lot No. BBR3-i10/05 (“Lot”) which is held under freehold master title held under Geran 333217, Lot 50418, Mukim Kapar, District of Klang, State of Selangor (“Master Land”)
Registered owner	: Sime Darby Property (Klang) Sdn Bhd
Category of land use	: None
Titled land area	: 9,162 square metres
Existing use	: Vacant
Proposed use	: Upon completion of the Land Acquisition, the Company intends to construct a storage and refurbishment facility to house all its aluminium formwork systems, scaffoldings and cabins that are not in use at its construction sites
Terms of tenure	: Freehold
Encumbrances	: None
Restriction in interest	: None
Express condition	: Agriculture

2.2 Information on the Vendor

The Vendor was incorporated in Malaysia under the Companies Act 1965 on 31 March 1980 as a private limited company and is deemed registered under the Companies Act 2016. It is a wholly-owned subsidiary of Sime Darby Property Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, and is principally involved in property development and property investment.

The issued share capital of the Vendor is RM5,000,000 comprising 5,000,000 ordinary shares. The directors of the Vendor are Betty Lau Sui Hing, Datuk Ir Mohd Idris Jaya Murali Bin Abdullah and Leong Yong Kuan.

2.3 Information on the Purchaser

KSB was incorporated in Malaysia under the Companies Act 1965 on 19 March 1990 as a private limited company under the name of Aqua Gourmet Sdn Bhd and is deemed registered under the Act. It assumed its present name on 26 October 1990. The registered address of KSB is located at 52A, Lebuhraya Enggang, 41150 Klang, Selangor Darul Ehsan.

KSB is principally involved in the provision of construction services. KSB commenced operations in 1990 with its principal place of business in Malaysia.

The issued share capital of KSB is RM30,000,000 comprising 30,000,000 ordinary shares. KSB is a 100% owned subsidiary of the Company.

2.4 Salient terms of the SPA

The salient terms of the SPA are as follows:

2.4.1 Agreement to sell and purchase

The Vendor agrees to sell and the Purchaser agrees to purchase the Lot free from all encumbrances other than those imposed by the provisions of the SPA or already subsisting at the date hereof (if any) and any conditions express or implied affecting the individual title with vacant possession and subject further to the terms and conditions of the SPA.

2.4.2 The Vendor intends to:-

- (i) make application to the Appropriate Authorities (as hereinafter defined in SPA) for surrender and re-alienation in respect of the Master Land pursuant to Section 204B of the NLC (as hereinafter defined in SPA) which following the aforesaid surrendering and re-alienation, the Master Land will be subdivided into separate lots or parcels of land held under separate individual titles endorsed with the category of land use (Kategori Penggunaan Tanah) as "Perusahaan" (Industry) and the express condition (syarat nyata) as "Industri Sederhana" (Medium Industry); and
- (ii) develop on part of the Master Land a development known as Bandar Bukit Raja 3 Industrial Park and sell the Lot.

2.4.3 Subject to the terms and conditions contained in the SPA, the Vendor shall sell and the Purchaser shall purchase the Lot. The Lot shall be sold:-

- (i) on an "as is where is" basis and in a vacant condition;
- (ii) free from encumbrances but subject to the private caveat to be lodged and withdrawn by the Vendor in accordance with the terms of the SPA;
- (iii) against the Purchaser's undertaking to build or cause to be built the Premises for its own use on the Lot within the Construction Period in accordance with the terms of the SPA and all guidelines, rules, regulations, circulars and/or approvals that may be issued/imposed or to be issued/imposed by the Appropriate Authorities and/or the Vendor from time to time;
- (iv) subject further to all conditions of title, express or implied, restrictions-in-interests and existing category of land use as stipulated in the Master Title and/or which may be imposed on, relating to or affecting the Individual Title when issued by the Appropriate Authorities and the Purchaser's undertaking to comply with the same; and
- (v) subject to all schemes or proposed schemes affecting the Lot by any Appropriate Authorities.

2.4.4 No valuation has been carried out on the Lot.

2.4.5 Mode of payment for the Purchase Consideration

The purchase consideration shall be satisfied in cash in the following manners: -

Item	Instalment Payable	%	Amount (RM)
1.	Immediately upon signing of the Letter of Offer	2	260,357.76
2.	Immediately upon signing of the SPA.	8	1,041,431.04
3.	Within twenty one (21) days from the date of the Vendor's written notice of:		
	(a) commencement of earthworks for the Lot	20	2,603,577.60
	(b) completion of earthworks for the Lot	40	5,207,155.20
	(c) completion of the main sewerage reticulation fronting the Lot	6	781,073.28
	(d) completion of the external drains fronting the Lot	6	781,073.28
	(e) completion of the main incoming water reticulation fronting the Lot	6	781,073.28
	(f) completion of the external telecommunication manholes and ductworks fronting the Lot	6	781,073.28
	(g) completion of the main access road (up to binder course) fronting the Lot	6	781,073.28
	Total		13,017,888.00

In the event any of the instalment or instalments set out above shall remain unpaid by the Purchaser at the expiration of the said period, late payment interest at the rate of ten per centum (10%) per annum calculated on a day to day basis on such unpaid instalment or instalments shall commence to run immediately thereafter and be payable by the Purchaser to the Vendor until full payment of the outstanding instalment or instalments.

2.4.6 Default by the Purchaser

In the event that the Purchaser fails to complete the Land Acquisition pursuant to the SPA or in breach of any of its covenants and/or obligations under the SPA, the Vendor shall give the Purchaser not less than 14 days' notice in writing to rectify or remedy the default and/or breach and unless in the meanwhile such default and/or breach alleged is rectified or such unpaid instalments and interest are paid, the Vendor may, if the Vendor so decides in its absolute discretion, terminate the SPA and the following remedies shall apply. All costs incurred thereby shall be borne by the Purchaser absolutely.

2.4.7 Non-Registration of Transfer

In the event the Transfer cannot be registered in favour of the Purchaser by reason of any defects and/or omission in the Transfer and/or other relevant documents or other grounds which are remediable by either Party hereto, the Parties hereto undertake with each other to rectify the same within thirty (30) days from the receipt of notification or rejection from the relevant Land Registry or such extended period as the Parties may mutually agree.

In the event the transfer in favour of the Purchaser cannot be registered for whatsoever reasons or defects not attributable to any act, omission, fault, neglect and/or blameworthy conduct of the part of the Parties and cannot be rectified within thirty (30) days from the receipt of the notification of non-registration or rejection from the relevant Land Registry or such extended period as the Parties may mutually agree, either Party shall be entitled to terminate this Agreement by serving a written notice on the other Party upon which the provisions in Clause 17.3 of SPA shall apply mutatis mutandis.

2.5 Basis of and justification for the Purchase Consideration

The Purchase Price was arrived at based on the developer's selling price of RM1,420.86 per square metre and free from encumbrances but subject to the private caveat to be lodged and withdrawn by the Vendor in accordance with the terms of the SPA and subject further to all conditions of title, express or implied, restrictions-in-interests and existing category of land use as stipulated in the Master Title and/or which may be imposed on, relating to or affecting the Individual Title when issued by the Appropriate Authorities and the Purchaser's undertaking to comply with the same and subject to all schemes or proposed schemes affecting the Lot by any Appropriate Authorities.

The Purchase Price of the Lot shall be adjusted accordingly at the rate stipulated in Section 6 of the Schedule 1 annexed in the SPA calculated on the difference between the area of the Lot and the area stated in the final title to the Lot.

The Purchase Price was arrived at based on a "willing buyer willing seller" basis after taking into consideration of the potential development of the Lot, accessibility of the site, development of the surrounding areas as well as recent transacted prices and/or asking prices of similar properties in the surrounding areas.

2.6 Source of funding

The Purchase Consideration will be funded entirely using the proceeds raised from the Company's initial public offering exercise that was completed on 17 January 2023.

2.7 Liabilities to be assumed

There are no liabilities, including contingent liabilities, and guarantees to be assumed by the Company arising from the Land Acquisition.

3. RATIONALE, BENEFITS AND PROSPECTS OF THE LAND ACQUISITION

The Land Acquisition is in line with the Company's strategies and plans to acquire a piece of land and construct a storage and refurbishment facility with an approximate built-up area of 65,000 sq ft, which will be funded entirely using the proceeds raised from the Company's initial public offering exercise that was completed on 17 January 2023.

This facility will be used as a centralised storage and refurbishment facility to house all the Company's aluminium formwork systems, scaffoldings and cabins that are not in use at its construction sites.

The estimate total construction cost is approximately RM5 million and is expected to commence the building construction upon obtaining both the vacant possession of the Lot and the relevant approvals for the construction of the building. The construction is expected to be completed within the next 18 months thereafter and it is funded entirely using the proceeds raised from the Company's initial public offering exercise that was completed on 17 January 2023.

4. RISK FACTORS

4.1 Completion risk

The Land Acquisition is conditional upon fulfilment of the Conditions Precedent as disclosed in Section 2.4.1 above. There is no assurance that the Land Acquisition can be completed within the respective time period permitted under the SPA. In the event that the Conditions Precedent are not fulfilled within the stipulated time period or in the event any approvals shall contain terms which are not acceptable to the parties to the SPA, the completion of the Land Acquisition may be impacted.

In this regard, the Purchaser and the Vendor shall endeavour to ensure that there is no delay in fulfilling all the Conditions Precedent and should there be any delay beyond the agreed time period, the Board shall negotiate with the Vendor to mutually extend the said period prior to its expiry.

4.2 Acquisition risk

There is no assurance that the anticipated benefits from the Land Acquisition can be realised. Notwithstanding this, the Board believes that the acquisition risk is largely mitigated by Kitecon's experience in the construction industry and appropriate measures to be undertaken in planning and constructing the storage and refurbishment facility on the Lot.

5. EFFECTS OF THE LAND ACQUISITION

5.1 Issued share capital and substantial shareholders' shareholdings

The Land Acquisition will not have any effect on the issued share capital and shareholdings of the substantial shareholders of the Company as the Land Acquisition does not involve any issuance of new ordinary shares in Kitecon.

5.2 Net assets (“NA”) and gearing

Barring any unforeseen circumstances, the Land Acquisition will not have any material effect on the consolidated NA and gearing of Kitacon for the financial year ending 31 December 2023.

5.3 Earnings and earnings per Share (“EPS”)

Barring any unforeseen circumstances, the Land Acquisition will not have any material effect on the consolidated earnings and EPS of Kitacon for the financial year ending 31 December 2023.

6. APPROVAL REQUIRED

The highest percentage ratio applicable to the Land Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 6.1%.

The Land Acquisition is not subject to the approval of the shareholders of the Company or any relevant authorities. The Land Acquisition is also not conditional upon any other proposals undertaken or to be undertaken by the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the directors and major shareholders of the Company and persons connected with them have any interest, direct or indirect, in the Land Acquisition.

8. DIRECTORS’ STATEMENT

The Board, after having considered all aspects of the Land Acquisition, is of the opinion that the Land Acquisition is in the best interest of Kitacon.

9. ESTIMATED TIME FRAME FOR COMPLETION

The estimated time frame to complete the Land Acquisition is within forty-eight (48) months from the date of the SPA.

The Company will make appropriate announcement(s) to Bursa Malaysia as and when the Land Acquisition is completed.

10. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection at the registered office of Kitacon at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 28 April 2023.