

**BERTAM ALLIANCE BERHAD (“BERTAM” OR “THE COMPANY”)**

**PROPOSED ACQUISITION OF A PIECE OF LAND HELD UNDER COUNTRY LEASE (“CL”) 215465802 MEASURING APPROXIMATELY 1.709 HECTARE SITUATED AT KG KEPAYAN, DISTRICT OF PENAMPANG (“LOT G LAND”) FOR A TOTAL CASH CONSIDERATION OF RM16.3 MILLION (“PROPOSED ACQUISITION”)**

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On behalf of the Board of Directors of Bertam (**“Board”**), Sierac Corporate Advisers Sdn Bhd (**“SCA”**) wishes to announce the proposed acquisition by Wow Land Sdn Bhd (**“WLSB”** or **“Purchaser”**), of a piece of land held under CL 215465802 measuring approximately 1.709 hectares situated at Kg Kepayan, District of Penampang (**“Lot G Land”**) for a total cash consideration of RM16.3 million (**“Purchase Price”**).

Further details of the Proposed Acquisition are set out in the ensuing sections of this announcement.

**1. INTRODUCTION**

On 15 December 2017, WLSB entered into a sale and purchase agreement (**“SPA”**) with Jumat Bin Laiyo (**“Jumat”** or **“Vendor”**) to acquire Lot G Land for a total cash consideration of RM16.3 million.

WLSB is a wholly owned subsidiary of Bertam Development Sdn Bhd (**“BDSB”**), which in turn is a wholly owned subsidiary of Bertam. Bertam and its subsidiaries shall be referred to as **“Bertam Group”**.

**2. DETAILS OF THE PROPOSED ACQUISITION**

**2.1 Details of the Lot G Land**

Description of the Lot G Land are set out below:

<b>Brief description</b>	: One (1) parcel of flat vacant development land situated in the district of Penampang and within the locality known as Kampung Kepayan, which is about 9 km to the south of Kota Kinabalu City Centre and about 10 km to the north-west of Donggongon Township measuring 1.709 hectares (approximately 4.223 acres)
<b>Registered owner</b>	: Jumat
<b>Title no.</b>	: CL 215465802
<b>Locality</b>	: Kampung Kepayan, Kota Kinabalu, Sabah

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<b>Title Particular</b>	: Based on extracted copy of CL, the particulars of the land title are as follows:-  <ol style="list-style-type: none"> <li><b>1. Tenure</b> The title to Lot G Land is a CL issued by the Central Land Registry at Kota Kinabalu and held for a term of 99 years commencing from 1 January 2015 and expiring on 31 December 2113 (i.e. unexpired term of about 96 years).</li> <li><b>2. Conditions</b> The title to Lot G Land is held subject to the provisions and conditions contained in the Land Ordinance, Cap 68 and to the special terms described therein:-   <p>“The said land is demised herein expressly and only for the purpose of erecting thereon for use as such condominium.</p> <p>Transfer or sublease of this title is prohibited before the fulfilment of the covenants herein or without the written permission from the director of lands and surveys department who shall imposed additional premium, enhanced rent and any other condition thereof while granting such permission.</p> <p>Subdivision of this title is prohibited without the written permission from the director of lands and surveys department who shall charge additional premium and enhanced rent and any other condition thereof when granting such permission.”</p> </li> </ol>
<b>Planning Details</b>	: The Lot G Land is situated within the area covered by the Proposed Map of Penampang Local Plan and is zoned for “Medium Density-Residential Areas”
<b>Approved Condominium Development</b>	: Based on the proposed development plan, which has previously been approved by Majlis Daerah Penampang (“MDP”) on 14 May 2015, the Lot G Land has been approved for the development of 2 blocks of residential condominium, ground floor car park, open space and facilities deck (“Proposed Development”).  Pursuant to the expiry of the previously approved development plan on 14 May 2017, an application for revalidation of the proposed development plan has been submitted on 26 April 2017 and is currently pending approval from the MDP. The approval is estimated to be obtained by end February 2018.
<b>Land area</b>	: 1.709 hectares (approximately 4.223 acres)
<b>Land tenure</b>	: 99-year leasehold interest expiring on 31 December 2113

**Market value as appraised by Jurunilai & Perunding Hartanah Sabah (“Valuer”)** : RM18.4 million

**Date of valuation / method of valuation** : 15 December 2017 / Comparison method

## 2.2 Proposed Development

The Proposed Development, also known as Idaman Residence, involves a residential development of 228 condominium units, ground floor car park, open space and facilities deck with a total built-up area of about 280,048 square feet.

The proposed development plan has previously been approved by MDP on 14 May 2015, for a period of two (2) years. Given the expiry of the previous approval on 14 May 2017, an application for revalidation has been submitted on 26 April 2017. Approval of the revalidation for the proposed development plan is currently pending from the MDP, which is expected to be obtained by end February 2018.

The Proposed Development is expected to span over a period of 3 years with an estimated gross development value (“**GDV**”) of approximately RM155 million and an estimated gross development cost (“**GDC**”) of approximately RM130 million. This project will result in a projected gross profit of approximately RM25 million to Bertam Group over the next 3 years.

Subject to obtaining the approvals from the relevant authorities and shareholders of Bertam, the Proposed Development is targeted to commence in March 2018 and is to be completed in January 2021.

Bertam intends to finance the development costs or any other costs associated either through internally generated funds, bank borrowings or a combination of the two.

## 2.3 Salient Terms and Conditions of the SPA

The salient terms and conditions of the SPA include, amongst others, the following:

### 2.3.1 Manner of Payment of Purchase Price

- (a) Upon execution of the SPA, the Purchaser shall pay to the Vendor RM3.13 million (“**Deposit**”) which the Vendor acknowledges receipt of such sum shall be the deposit towards the Purchase Price.
- (b) On or before the SPA completion date, the Purchaser shall pay or cause to be paid to the Purchaser’s Solicitors as stakeholders the full balance purchase price (RM13.17 million) (“**Balance Purchase Price**”) which shall be disbursed as follows:

- i. Immediately upon registration of caveat over the Lot G Land, release a sum sufficient for the payment of the additional premium to the Lands and Surveys Department for the permission to effect one transfer before fulfillment of the building covenant (“**Additional Premium**”) on behalf of the Vendor, which Additional Premium will be offset from the Balance Purchase Price;
- ii. Submission of the original issue documents of title in respect of the Lot G Land and memorandum of transfer in respect of the Lot G Land (“**Memorandum of Transfer**”) duly executed by the Vendor in favour of the Purchaser which are in the Vendor’s Possession, and a copy each of the latest current year quit rent and assessment receipts in respect of the Lot G Land, if in the Vendor’s possession (abovementioned documents collectively known as the “**Completion Documents**”) to the collector of stamp duties for adjudication of ad valorem stamp duty payable by the Purchaser and the presentation of the Completion Documents to the Central Land Registry, Kota Kinabalu for registration; and
- iii. Upon acceptance of the Completion Documents for registration evidenced by the memorial numbers assigned thereto, release the remaining balance of the Balance Purchase Price to the Vendor’s Solicitors for onward transmission to the Vendor.

### **2.3.2 Delivery of Vacant and/or Legal Possession**

In the event the Lot G Land is vacant the Vendor shall deliver vacant possession of the Lot G Land to the Purchaser within seven (7) working days from date of receipt of the full Balance Purchase Price together with late payment interest (if any). In the event the Purchaser fails to take delivery of vacant possession of the Lot G Land upon being notified by the Vendor to do so, vacant possession of the Lot G Land shall be deemed to be delivered to the Purchaser.

In the event that the Vendor fails to deliver vacant possession of the Lot G Land within seven (7) working days from the date of the receipt of the full Balance Purchase Price together with late payment interest (if any), the Vendor shall pay to the Purchaser, interest at the rate of six percent (6%) per annum on the Balance Purchase Price calculated from the 8th day from the date of the receipt of the full Balance Purchase Price until the date of actual vacant possession.

In the event of the termination or rescission of the SPA for any reason whatsoever, the Purchaser shall and hereby undertakes at his sole cost and expense to deliver legal vacant possession of the Lot G Land to the Vendor, in the same condition, state and nature as at the date the Purchaser obtained possession of the Lot G Land. The parties hereto hereby agree that notwithstanding anything to the contrary contained in the SPA or elsewhere, no moneys whatsoever which may be refundable to the Purchaser pursuant to the provisions of the SPA upon a termination or rescission of the SPA shall be refundable or refunded by the Vendor until legal vacant possession of the Lot G Land has been delivered to the Vendor.

### **2.3.3 Conditions Precedent**

The Lot G Land is subject to a restriction in interest which prohibits the proposed transfer of or dealing with the Lot G Land before fulfillment of the building covenant unless permission to effect one transfer is obtained from the Land & Survey Department.

### **2.3.4 Events of Default**

In the event that the Purchaser breaches or fails to perform any of his obligations under the SPA or fails to complete the purchase of the Lot G Land pursuant to the terms of the SPA, or in the event that the Purchaser fails to pay the entire Purchase Price or any part thereof and/or any other moneys payable by it pursuant to the provisions of the SPA, or in the event that any of the Purchaser's representations and/or warranties should be incorrect, untrue or misleading in any manner whatsoever, and the Purchaser fails to complete the purchase of the Lot G Land, the Vendor shall be entitled, in addition to and without prejudice to any and all other rights and remedies available to it at law:

- (a) to the relief of specific performance of this Agreement and/or damages; or
- (b) provided that such breach has not been rectified to the satisfaction of the Vendor within seven (7) days from the date of a notice to the Purchaser, terminate the SPA whereupon the following consequences shall ensue, namely:
  - (i) the Vendor shall be entitled to a sum equivalent to the Deposit, and shall be entitled to any and all interest which may have accrued on the Deposit, and for such purpose shall be wholly entitled to forfeit the entire Deposit if already paid to and received by the Vendor, and if not so already paid to or received by the Vendor the Purchaser shall immediately on demand pay a sum equivalent to the Deposit (or any part thereof remaining unpaid) to the Vendor;
  - (ii) the Vendor shall be entitled to sell the Lot G Land to any third party without any further reference whatsoever to the Purchaser;
  - (iii) the Purchaser and/or Purchaser's Solicitors (as applicable) shall return the Memorandum of Transfer, the Completion Documents and all other documents whatsoever which may have been provided by the Vendor to the Purchaser with all the Vendor's interests intact, provided that the Memorandum of Transfer is not required by the Stamp Office for cancellation for the purpose of refund of the stamp duty paid thereon (as applicable) and in such event, the Memorandum of Transfer shall be returned immediately after such cancellation;
  - (iv) the Purchaser shall cause and procure any and all private caveats and encumbrances lodged by the Purchaser and/or any person(s) claiming under the Purchaser over the Lot G Land to be forthwith withdrawn at the Purchaser's own costs; and

- (v) thereafter the SPA shall be null and void and of no further effect and the Parties shall have no further claims of whatsoever nature against each other in respect of anything arising from or in connection with the SPA (save the return of any documents belonging to the Vendor).

In the event that the Vendor fails to perform its obligations under or complete the sale of the Lot G Land pursuant to the terms of the SPA otherwise than by reason of default by the Purchaser, the Purchaser shall be entitled, by giving ten (10) business days' notice to the Vendor and provided that such breach has not been rectified to the satisfaction of the Purchaser during the aforesaid period, to terminate the SPA whereupon the following consequences shall ensue, namely:

- (a) the Vendor shall refund to the Purchaser the Deposit if already paid to and received by the Vendor, free of any and all interest whatsoever;
- (b) the Vendor shall thereafter be entitled to sell the Lot G Land to any third party without any further reference whatsoever to the Purchaser;
- (c) the Purchaser and/or Purchaser's Solicitors (as applicable) shall return the Memorandum of Transfer, the Completion Documents and all other documents whatsoever which may have been provided by the Vendor to the Purchaser with all the Vendor's interests intact, provided that the Memorandum of Transfer is not required by the Stamp Office for cancellation for the purpose of refund of the stamp duty paid thereon (as applicable) and in such event, the Memorandum of Transfer shall be returned immediately after such cancellation;
- (d) the Purchaser shall cause and procure any and all private caveats and encumbrances lodged by the Purchaser and/or any person(s) claiming under the Purchaser over the Lot G Land to be forthwith withdrawn at the Purchaser's own costs; and
- (e) thereafter the SPA shall be null and void and of no further effect and the Parties shall have no further claims of whatsoever nature against each other in respect of anything arising from or in connection with the SPA (save the return of any documents belonging to the Vendor).

### **2.3.5 Private Caveat**

The Purchaser shall be entitled at his own cost and expense to, at any time after the execution of the SPA and the payment of the deposit or the full Purchase Price, lodge a private caveat in respect of the Lot G Land for the purpose of protecting his interest in the Lot G Land prior to the completion, rescission or termination of the SPA as the case may be.

Upon the rescission or termination of the SPA for any reason whatsoever, the Purchaser shall at his own cost and expense immediately cause and procure any and all private caveats and encumbrances which have been lodged by the Purchaser and/or any person(s) claiming under the Purchaser in respect of the Lot G Land to be forthwith withdrawn failing which, the Vendor shall proceed with the necessary cause of action to remove the said private caveat whereby the Purchaser shall be liable to indemnify all cost and expenses incurred by the Vendor.

## **2.4 Basis and Justification of the Purchase Price**

The Purchase Price was arrived at between the parties on a “willing-buyer willing-seller” basis after taking into consideration the following:

- (i) the Purchase Price of RM16.3 million represents a 11.41% discount from the market value of the Lot G Land of RM18.4 million or RM100 per square feet, as ascribed by the Valuer using the comparison method and cross-checked with the residual method valuation;
- (ii) the rationale for undertaking the Proposed Acquisition;
- (iii) the location and prospects of the Lot G Land - it is strategically located in the District of Penampang and within Kampung Kepayan which is approximately 9 kilometres linear due south of Kota Kinabalu City Centre and about 10 kilometers linear due north-west of Donggongon Township;
- (iv) the development potential of the Lot G Land into a residential condominium with potential estimated GDV of up to approximately RM155 million based on preliminary management estimates;
- (v) eventual density per acre obtained from the relevant authorities on the development order in respect of the Proposed Development; and
- (vi) the management’s knowledge of the market value of properties surrounding Lot G Land.

## **2.5 Source of Funding**

The Proposed Acquisition shall be satisfied by cash, which will be financed through internally generated funds.

## **2.6 Liabilities to be Assumed**

Bertam will not assume any liability, including contingent liabilities and guarantees, with regards to the Proposed Acquisition.

## **2.7 Additional Financial Commitment**

Save for the estimated GDC of approximately RM130 million for the Proposed Development, which shall be funded through internally generated funds and bank borrowings in a funding mix to be confirmed at a later date, there are no other material additional financial commitment expected to be incurred in relation to Lot G Land.

## **2.8 Encumbrances on Lot G Land**

The Lot G Land is currently charged to Sabah Development Bank Berhad.

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## **2.9 Information on Purchaser**

WLSB is a company incorporated in Malaysia with its registered address at Suite 10.03, Level 10, The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia with business address at J 55-5, Lot 55, 5<sup>th</sup> Floor, Block J, KK Times Square Signature Office, Off Coastal Highway, Kota Kinabalu, Sabah, Malaysia. It has an issued and paid up capital of RM250,000. Its principal activity is property development.

## **2.10 Information on Vendor**

Jumat, aged 33, a Malaysian and a native of Sabah is the sole and absolute registered, legal and beneficial owner of the Lot G Land. He is a businessman involved in trading business and was the director of WLSB from 1 April 2015 to 1 November 2016 and a substantial shareholder with 87% equity interest in WLSB prior to the acquisition of WLSB by BDSB on 8 August 2016.

On 8 August 2016, WLSB became the wholly-owned subsidiary of BDSB following the acquisition of 100 ordinary shares of WLSB by BDSB on the said date. BDSB is the wholly-owned subsidiary of Bertam.

## **3. RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is in line with Bertam's strategy of geographical focus on development in Kota Kinabalu. Bertam Group intends to develop Lot G Land into apartments with smaller units to cater for the middle-income segment to ensure affordability. Idaman Residence's apartments will also be of modern design taking cognizance that the residential property market in Kota Kinabalu is evolving from the conventional housing development into contemporary and luxurious housing concept.

In order to improve its performance in its construction segment, the Board envisages the prospects of the development of the Lot G Land to be encouraging with favourable take-up rates and good prospects for capital appreciation. In addition, the Board believes that as long as Kota Kinabalu city centre remains Sabah's commercial hub, demand for housing within and around the city will be most sought after as the population density in Kota Kinabalu increases. The spillover effects of the booming Kota Kinabalu property market will also enhance Bertam's property development segment.

## **4. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION**

### **4.1 Completion Risk**

The completion of the Proposed Acquisition is conditional upon the fulfilment of all necessary conditions as set out in Section 2.3.3 above. In the event that such conditions / approvals are not obtained and/or satisfied, the Proposed Acquisition will not be completed. However, Bertam Group will take reasonable steps to ensure the fulfilment of the Conditions Precedent in the SPA to facilitate the completion of the Proposed Acquisition.

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## **4.2 Acquisition Risk**

Although the Proposed Acquisition is expected to contribute positively to the future earnings of Bertam Group, there can be no assurance that the expected benefits of the Proposed Acquisition will materialize or that Bertam Group would be able to generate sufficient returns from the Proposed Development. As such, there can be no assurance that the Proposed Acquisition will improve Bertam Group's financial performance and the duration required for Bertam Group to recoup its investment could be longer than expected. However, the Board believes that such risk can be mitigated by conducting proper assessment of the Proposed Development.

## **4.3 Business Risk**

The Proposed Acquisition is subject to risks inherent in the property development industry which may include, amongst others, adverse changes in property prices, competition from other property developers, 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 labour costs, adverse changes in property tax assessments and other statutory changes. Nevertheless, the management of Bertam seeks to mitigate these risks through, inter-alia, keeping track with the latest development in the property development market, careful planning continuous review and close supervision on projects to ensure marketability.

## **4.4 Funding Risk**

As set out in Section 2.7 of this announcement, Bertam will fund the development of Lot G Land through internally generated funds and bank borrowings in a funding mix to be confirmed at a later date. Bertam Group's ability to raise funds through debt financing and the cost of such fund raising is dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors' confidence in Bertam Group or any restrictions imposed by the Malaysian government including political, social and economic conditions in Malaysia. There can be no assurance that the necessary fund raising will be available in amounts or on terms acceptable to Bertam. In addition, Bertam Group could potentially be exposed to fluctuations in interest rates on such external fund raising raised, leading to higher borrowing costs or cost of equity which may adversely affect Bertam Group's future results of operations and financial performance as well as the Group's ability to service future loan repayment obligations.

Nevertheless, Bertam shall continuously monitor and review its debt portfolio, which includes taking into consideration its group gearing level, interest costs as well as cash flows in achieving and maintaining an optimal capital structure.

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## 5. OUTLOOK AND PROSPECTS

### 5.1 Overview and Outlook of the Malaysian Economy

The Malaysian economy is projected to continue its strong growth momentum with real GDP expanding between 5% and 5.5% in 2018 (2017: 5.2% and 5.7%). Growth will be mainly driven by resilient domestic demand amid favourable external sector. Given the robust economic development, GNI per capital is estimated to increase 5.1% to RM42,777 (2017: 7.7%; RM40,713). Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism, policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external changes.

The services sector is projected to grow 5.8%, increasing its share to 54.8% of GDP (2017: 5.9%; 54.5%) with all subsectors continuing to expand. The wholesale and retail trade, and food & beverages and accommodation are anticipated to increase 6.1% and 7.2%, respectively (2017: 6.5%; 7.6%). Growth will be supported by steady domestic consumption and higher tourist arrivals. The information and communication subsector is expected to expand 8.8% (2017: 8.5%) on account of promotional campaigns and more offerings digital products. Meanwhile, the transport and storage subsector is projected to grow 5.8% (2017: 6.2%). This is mainly driven by high ridership on rail services, particularly on MRT as well as the commencement of new passenger aircraft services and improved port facilities. Likewise, the finance and insurance subsector is anticipated to increase 4.4% (2017: 4.2%) driven by strong financing activities.

The manufacturing sector is forecast to increase 5.3% (2017: 5.5%). Output of export-oriented industries is projected to expand on account of sustained demand for E&E, refined petroleum and wood products. Likewise, growth in the domestic-oriented industries is anticipated to remain resilient supported by ongoing construction of infrastructure projects as well as strong demand for consumer products, especially food and transport equipment.

Growth in the agriculture sector is projected to grow 2.4% (2017: 5.6%) contributed by both the commodity and non-commodity subsectors. Production of CPO is estimated to increase 2.5% to 20.5 million tonnes (2017: 15.5%; 20 million tonnes) following expansion in matured areas. Palm oil prices is expected to increase to an average of RM2,750 per tonne (2017: RM2,700 per tonne) bolstered by higher demand, particularly from China, the European Union (“EU”) and India. Likewise, rubber production is anticipated to expand 2.9% to 720,000 tonnes (2017: 3.9%; 700,000 tonnes) while price is expected to remain favourable at RM7.50 per kg (2017: RM7.30 per kg). The food commodities, mainly livestock, fruits and vegetables as well as fish are expected to record a favourable growth supported largely by strong domestic demand.

The mining sector is projected to expand 0.9% (2017: 0.5%) contributed mainly by higher production of natural gas. Output of natural gas is expected to increase further on account of higher global demand, particularly from China, Japan, Republic of Korea and Taiwan. In addition, the completion of O&G projects such as North Malay Basin Full Field Development Phase 1 and RGT2 in Pengerang are expected to further boost production of natural gas. On the contrary, production of crude oil is projected to decline due to Malaysia’s commitment to cut production until the first quarter of 2018. For the year, Brent is anticipated to trade at an average of USD52 pb (2017: USD50 pb).

The construction sector is projected to grow 7.5% (2017: 7.6%), primarily supported by the ongoing civil engineering, infrastructure projects such as East Coast Rail Link, MRT SSP line, Electrified Double Track Gemas-Johor Baru, SPE Pan Borneo Highway and Bokorr Central Processing Platform. Meanwhile, the residential subsector is expected to expand further with several new planned township by private developers. In addition, the subsector will also benefit from various affordable housing programmes by the Government such as PPA1M, MyBeautiful New Home and 1Malaysia People-Friendly Houses. On the contrary, the non-residential subsector is forecast to grow moderately following property overhang, particularly in the shops segment.

*(Source: 2018 Economic Report, Ministry of Finance Malaysia)*

## **5.2 Overview of the Overall Property Industry in Sabah**

Based on the Sabah Housing and Real Estate Developers Association's ("SHAREDA") Property Development Annual Report and Market Outlook 2017, Sabah recorded a total GDV of RM2.94 billion for 6,408 units in 2016 as compared to RM2.669 billion in 2015, showing a slight increase of 10.15% on the overall outlook. Even though in this economic turmoil, the property developers are slowly regaining their confidence in launching more vibrant products in condominiums and apartments with a higher total GDV of RM1.753 billion in 2016 as compared to RM910 million in 2015, i.e., an increase of 92.6%.

The West Coast Division of Sabah contributed approximately RM2.441 billion representing 83% of the total gross GDV of RM2.94 billion for 5,449 units. Its total gross GDV for the condominiums/apartments sector stood at RM1.540 billion for 4,381 units recording a significant increase of 69.2% from 2015 to 2016 while the total gross GDV for its commercial property sector recorded at RM0.641 billion for 698 units, an increase of 31.1% from 2015 to 2016.

There were eight (8) condominiums/apartments launched in the West Coast Division of Sabah in 2016 comprising Bukit Bantayan Residences, Maya Likas, E Residence Phase 1, Universiti Utama Condominium Phase 6, Bukit Saujamas, Kingfisher Inanam and Kingfisher Putatan, all in the vicinities of Inaman, Likas, Telipok and Putatan. These condominiums/apartments represent the medium to high ends with built-up areas ranging from 414 square feet to 2,084 square feet.

As for the commercial property sector, there were six (6) commercial developments launched in the West Coast Division of Sabah in 2016 comprising Manhattan Suites, HM Solaris, Paper Square, Seri Putatan Commercial Center, GM City (Embum Tower) and ZII Avenue – Phase 1 the ZII@KK South, all in the vicinities of Penampang, Tuaran, Papar, Putatan, Menggatal and Kinarut. The property type of these commercial properties consists of soho, 2 or 3 storey shop office and commercial shoplots, all of which are located more than 10 kilometers from the city center, Kota Kinabalu.

It is expected that the property market outlook for 2017 will be slow until the second quarter of 2017 due to the weak Ringgit Malaysia currency and external factors like Brexit and Trumpism. To counter the softening of the market sentiments, developers have geared their home offerings towards the middle-income segment. Notwithstanding the above, the implementation of the Pan Borneo Highway and also other infrastructural projects together with the resounding oil palm price will elevate the growth of Sabah's economy and hence, increase the effective demand of the market.

*(Source: Property Development Annual Report and Market Outlook 2017, SHAREDA)*

## **6. EFFECTS OF THE PROPOSED ACQUISITION**

### **6.1 Issued and Paid-Up Share Capital and Substantial Shareholders' Shareholdings**

The Proposed Acquisition will not have any effect on the issued and paid up share capital and the substantial shareholders' shareholdings of Bertam as it does not involve any issuance of new ordinary shares in Bertam.

### **6.2 Net Assets ("NA") and Gearing**

The Proposed Acquisition is not expected to have a material impact on the NA of Bertam Group for the financial year ending 31 December 2017 as the Proposed Development is expected to commence only in the first quarter of 2018. The Proposed Acquisition is expected to enhance the NA of Bertam Group in the future in view of potential future earnings from the Proposed Development.

The Proposed Acquisition will not have an effect on the gearing of Bertam Group as the Proposed Acquisition will be fully funded via internally generated funds.

### **6.3 Earnings and Earnings Per Share**

The Proposed Acquisition is not expected to have a material impact on the earnings of Bertam Group for the financial year ending 31 December 2017 as the Proposed Development is expected to commence only in the first quarter of 2018. However, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group when the Proposed Development is completed.

## **7. ADVISER**

SCA has been appointed as the Adviser for the Proposed Acquisition.

## **8. APPROVALS**

The Proposed Acquisition is subject to approvals being obtained from the following:

- (i) the shareholders of Bertam at the forthcoming extraordinary general meeting to be convened; and
- (ii) any other relevant authorities or parties, if required.

The Proposed Acquisition is not conditional upon any other corporate proposal or scheme undertaken by Bertam which has been announced but pending completion.

## **9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the directors and major shareholders of the Company or persons connected to them has any interest, direct or indirect, in the Proposed Acquisition.

## **10. DIRECTORS' STATEMENT**

The Board, having considered the rationale of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

## **11. HIGHEST PERCENTAGE RATIO**

On a standalone basis, the highest percentage ratio applicable to the Proposed Acquisition is 11.34%. However, given that Lot G Land is contiguous to Lot A Lands, Lot B Lands, and Lot C Lands, the abovementioned lands should be aggregated, pursuant to Paragraph 10.12(2)(c) of the Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**MMLR**").

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the MMLR of Bursa Securities is 64.42%, which was computed based on the aggregate 30-years Sublease Payments for Lot A Lands, Lot B Lands, Lot C Lands (which were announced separately to Bursa Securities) and the Purchase Price of Lot G Land over the audited consolidated net assets of Bertam as of 31 December 2016.

## **12. SUBMISSION TO THE AUTHORITY AND ESTIMATED TIME FRAME FOR COMPLETION**

The draft circular to shareholders in relation to the Proposed Acquisition is expected to be submitted to Bursa Securities after clearance of the valuation reports by Bursa Securities and Securities Commission Malaysia.

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the first half of 2018.

## **13. DOCUMENTS AVAILABLE FOR INSPECTION**

The SPA is available for inspection at the registered office of Bertam at Suite 10.03, Level 10, The Garden South Tower, Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur during normal business hours between Monday to Friday (except public holidays) for a period of at least three (3) months from the date of this announcement.

This announcement is dated 15 December 2017.