

**TELEKOM MALAYSIA BERHAD (“TM”)  
PROPOSED JOINT LAND DEVELOPMENT AGREEMENT (“JLDA”) BETWEEN TM, UEM SUNRISE  
BERHAD (“UEMS”) AND SUNRISE QUALITY SDN BHD (“SQSB”), AN INDIRECT WHOLLY-  
OWNED SUBSIDIARY OF UEMS**

**1. INTRODUCTION**

We wish to announce that TM has today entered into a JLDA with UEMS and SQSB for the development of two (2) pieces of freehold land known as Lot No. 461 & 493, Seksyen 19, Bandar Kuala Lumpur, District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur (“Proposed JLD”).

**2. DETAILS OF THE PROPOSED JLD**

**2.1. Background of the Proposed JLD**

TM is the registered proprietor of the following freehold lands measuring in area approximately 1.69 acres held under:

- i) Geran 3261, Lot 461, Section 19, Bandar of Kuala Lumpur, District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur (approximately 45,604.46 square feet) ; and
- ii) Geran 11471, Lot 493, Section 19, Bandar of Kuala Lumpur, District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur (approximately 28,029.20 square feet) (“Collectively known as Bukit Mahkamah Land”).

On Lot 461, an 11-storey (including rooftop) office building together with 2 storeys Annexe building which is approximately 40 years old is currently used by TM as office premises. Whilst Lot 493 is a parking lot used by TM employees.

As at 31 December 2015, the Net Book Value (“NBV”) of the Bukit Mahkamah Land is RM35,880,001 and free from encumbrances.

TM has identified the Bukit Mahkamah Land to be developed and 2 independent valuers were appointed to determine the Open Market Value of the Bukit Mahkamah Land. Based on the Comparison Method of which the Bukit Mahkamah Land were designated for commercial use, the current market value as at December 2014 was quoted between RM147.2 million to RM150.0 million.

In January 2015, TM issued an invitation for interested parties to submit commercial and technical proposals for the joint development of the Bukit Mahkamah Land. Upon a detailed evaluation, UEMS was selected as the preferred partner to undertake the development of the Bukit Mahkamah Land subject to the terms and conditions of the Proposed JLDA.

TM, UEM and SQSB have entered into the JLDA to develop the Bukit Mahkamah Land into a mixed development scheme comprising residential and/or commercial development.

**2.2. Salient Terms of the Proposed JLD**

2.2.1 TM agrees to grant SQSB the sole and exclusive rights to develop the Bukit Mahkamah Land (“**Project**”) and SQSB agrees to undertake, carry out and successfully complete the Project.

2.2.2 TM shall provide the Bukit Mahkamah Land to SQSB free from encumbrances and with possession, and in consideration of the mutual covenants in the JLDA, SQSB agrees to pay to TM a Guaranteed Land Cost of RM150 million (“**GLC**”) and TM’s GDV Entitlement (as defined below), together with Goods and Services Tax (“**GST**”) under the Goods and Services Tax Act 2014 (if any) in the mode and manner as set out below:

- a) Payment of the GLC shall be as follows:

Description	%	RM (million)	Timing of Payment
Deposit	10	15	Duly paid upon execution of the JLDA (" <b>Commencement Date</b> ") to SQSB's solicitors as stakeholders with instructions to release the same to TM within 7 business days from the date of fulfilment of all conditions precedents below (" <b>Unconditional Date</b> ").
1 <sup>st</sup> payment	20	30	Within 30 business days from the Unconditional Date.
2 <sup>nd</sup> payment	30	45	Within 3 months from the delivery of vacant possession of the Bukit Mahkamah Land to SQSB.
3 <sup>rd</sup> payment	40	60	Within 12 months from the due date of the 2 <sup>nd</sup> payment above.
<b>TOTAL</b>	<b>100</b>	<b>150</b>	

- (b) In addition to the GLC, TM shall also be entitled to 5% of the Gross Development Value of the Project ("**TM's GDV Entitlement**"). The payment of TM's GDV Entitlement shall be as follows:

Description	Percentage	Timing for Payment
1 <sup>st</sup> TM GDV Entitlement	2.5% of Agreed GDV (as defined below)	Within 12 months after the due date of the 3 <sup>rd</sup> payment of GLC.
2 <sup>nd</sup> TM GDV Entitlement	2.5% of Agreed GDV	Within 12 months after the due date of the 1 <sup>st</sup> TM GDV Entitlement, or 3 months from the issuance of Certificate of Completion and Compliance, whichever is earlier.
<b>TOTAL</b>	<b>100%</b>	

2.2.3 The JLDA shall be subject to and conditional upon the fulfilment of all the following conditions precedent within 2 years from the Commencement Date ("**Conditional Period**"):

- a) TM shall, within 12 months from the Commencement Date at its own costs and expense apply and obtain amendments to the express condition(s) on the title for the purposes of the Project;
- b) SQSB shall, within 12 months from the Commencement Date, apply and obtain the Development Approvals from the Appropriate Authorities ("**DO**") at its sole cost and expense and within 30 days from obtaining the Development Approvals notify TM of whether conditions imposed on the same are acceptable or otherwise; and

- c) The Parties agree that the determination of the estimated gross development value (“**GDV**”) for the Project shall be based on the DO and prevailing market conditions. Within sixty (60) days from SQSB’s notification to TM of the issuance of the DO, the Parties shall mutually agree on the determination of the estimated GDV (“**Agreed GDV**”).

2.2.4 In the event that any of the conditions precedent cannot be fulfilled by the expiry of the Conditional Period, or such extended period as may be mutually agreed by the parties in writing, the JLDA shall be deemed rescinded automatically whereupon SQSB’s solicitors shall be authorized to return to SQSB all monies held by them as stakeholders within 14 Business Days from the rescission date.

2.2.5 The key obligations of the parties under the JLDA are as follows:

Key obligations of UEMS

- (a) Within 5 business days upon the execution of this Agreement, UEMS shall deliver a Corporate Guarantee in favour of TM to guarantee SQSB’s due and proper performance of the JLDA. The Corporate Guarantee will only become effective upon the Unconditional Date and shall expire upon full settlement of the Guaranteed Land Cost and Gross Development Value.

Key obligations of TM

- (a) Deliver vacant possession of the Bukit Mahkamah Land within 3 months from the date of fulfilment of all conditions precedents of the JLDA. In this regard, TM shall relocate its business operations from the Bukit Mahkamah Land not later than the said period.
- (b) Grant a limited Power of Attorney (“**PA**”) to SQSB upon the execution of the JLDA for the purposes of planning, applying and/or submitting all relevant development approvals from the appropriate authorities.
- (c) Upon full settlement of the GLC or TM’s receipt of a bank guarantee on terms agreeable by TM for the GLC or any amount outstanding therein, grant an irrevocable PA over the Bukit Mahkamah Land for SQSB to sell, assign, transfer, charge and/or otherwise encumber the Bukit Mahkamah Land or any part thereof.
- (d) Promptly and at all times, render such cooperation and assistance to SQSB which includes the signing of all relevant applications to the relevant authorities as required of TM being the landowner, providing supporting documents and accompanying SQSB when meeting the relevant authorities; and
- (e) Sign all documents relating to the sale of the units comprised in the Project to SQSB’s end-purchasers in its capacity as the landowner.

Key obligations of SQSB

- (a) Solely responsible to obtain the necessary funds and/or financing facilities for the purpose of completion of the Project;
- (b) Obtain all necessary licences, permits, plans and all other approvals from all relevant authorities for the purpose of the Project;
- (c) Appoint and bear the costs of the project consultants, contractors and suppliers required to undertake and complete the Project;
- (d) Construct, build, erect and/or develop the Bukit Mahkamah Land at SQSB’s sole discretion in accordance with the approved plans;
- (e) Undertake marketing and promotional activities in connection with the Project;

- (f) Solely responsible to maintain, secure and operate the Bukit Mahkamah Land upon delivery of the vacant possession;
- (g) In the event that the consent of transfer is required for the sale of the sub-divided units to end-purchasers, SQSB shall be responsible to obtain such consent; and
- (h) Endeavour to submit the DO application within twelve (12) months from the date of execution of the JLDA.

### **2.3. Utilisation of Proceeds**

The proceeds from the Proposed JLD shall be used for the relocation of TM Employees and business operations from the Bukit Mahkamah Land. The balance will be utilised for TM's future capital expenditure and working capital purposes.

## **3. RATIONALE OF THE PROPOSED JLD**

The Bukit Mahkamah Land are located strategically in Kuala Lumpur within walking distance from Menara Maybank, Bursa Malaysia Building and Menara Olympia. It is also near public transport facilities such the Pudu Sentral, Masjid Jamek and Plaza Raya LRT stations. The Proposed JLD will enable the Bukit Mahkamah Land's value to be unlocked and maximized by way of a mixed development.

As TM is not directly involved in the property development sector, shareholder's interest can be best served by way of a strategic partnership with UEM Sunrise which is an established developer with vast experience and competency in high-rise residential, commercial, retail and integrated developments, as well as property management and project & construction services.

## **4. BRIEF INFORMATION ON THE PARTIES**

### **4.1. TM**

TM, a public listed company duly incorporated in Malaysia on 12 October 1984, has an authorised share capital of RM3,528,003,015.00 divided into 5,040,000,020 ordinary shares of RM0.70 each, 1 Special Rights Redeemable Preference Share of RM1.00, 2,000 Class C Non-Convertible Redeemable Preference Shares ("NCRPS") of RM1.00 each, 1,000 Class D NCRPS of RM1.00 each. The issued and paid up share capital of the Company is RM2,630,555,302.10 divided into 3,757,934,823 ordinary shares of RM0.70 each, 1 Special Rights Redeemable Preference Share of RM1.00 and 925 Class D NCRPS of RM1.00 each.

The principal activity of TM is the establishment, maintenance and provision of telecommunication and related services.

### **4.2. UEMS**

UEMS is a public company incorporated in Malaysia under the Companies Act, 1965 on 20 August 2008 and listed on the Main Market of Bursa Malaysia Securities Berhad. UEMS is the flagship company for the property development and real estate investment businesses of UEM Group Berhad ("**UEMG**"). The present authorised share capital of UEMS is RM3,517,000,000.00 divided into 7,004,000,000 ordinary shares of RM0.50 each and 1,500,000,000 Redeemable Convertible Preference Shares of RM0.01 each. Its issued and paid up capital is RM2,276,643,176.03 comprising 4,537,436,037 ordinary shares of RM1.00 each and 792,515,753 Redeemable Convertible Preference Shares of RM0.01 each.

The principal activity of UEMS is investment holding. The principal activities of the subsidiaries are property development, land trading, property investment, project procurement and management and investment holding

#### 4.3 SQSB

SQSB was incorporated in Malaysia under the Act on 17 December 1998 as a private limited company. The present authorised share capital of SQSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. Its issued and paid up capital is RM250,000 divided into 250,000 ordinary shares of RM1.00 each.

The principal activity of SQSB is property development.

### 5. RISK FACTORS AND PROSPECTS

The main risk factor in the JLDA will be the fulfilment of condition precedents before the commencement of the development within two (2) years from the Commencement Date which is considered to be adequate.

By entering the JLDA with UEMS, the risk of non-completion or delay is considered low since UEMS is a highly reputable developer with good track record and financially strong. Furthermore, UEMS shall issue a Corporate Guarantee for the due and proper performance of SQSB of the JLDA.

Subject to the approval of the relevant authorities, UEMS, via SQSB, intends to undertake the Project which is expected to span over a maximum period of 6 years. The GDV for the Project will be subject to the DO approval and mutual agreement of the parties in accordance with the JLDA.

### 6. FINANCIAL EFFECT

#### 6.1 Share capital and substantial shareholders' shareholdings

The Proposed JLD will not have any effect on the issued and paid-up share capital as well as the substantial shareholders' shareholdings of TM as it does not involve any issuance of shares or other securities in TM.

#### 6.2 Earnings and Net Assets

The Proposed JLD is not expected to have any material effect to the earnings and net assets of TM Group for the financial year ending 31 December 2016. However the Proposed JLD is expected to contribute positively to the future earnings of TM.

The estimated gains or losses to TM Group arising from and attributable to the Proposed JLD and the proforma effect on earnings per share, up to the extent of the GLC, on the basis that the entire transaction was transacted and completed on 1 January 2015 are as follows:

	<b>RM Million</b>
GLC (Gross Proceeds)	150.0
Less: Net Book Value of the Bukit Mahkamah Land and Building	(35.9)
<b>Estimated Net Gains*</b>	<b>114.1</b>
<b>Proforma Impact on Earnings per Share</b>	<b>3.0 sen</b>

Note:

\*Estimated net gain is excluding TM's GDV Entitlement which cannot be ascertained at this juncture as the GDV for the Project will be subject to the DO approval and mutual agreement of the parties in accordance with the terms of the JLDA.

### 6.3 Net Assets and Gearing

For illustrative purposes, the proforma effect of the Proposed JLD on the consolidated Net Assets (“NA”), NA per share and gearing level of TM Group as at 31 December 2015, are as follows:

#### i) Proforma Net Asset Per Share

	<b>Audited as at 31 December 2015 RM Million</b>	<b>After Proposed JLD RM Million</b>
Share Capital	2,630.6	2,630.6
Share Premium	964.9	964.9
Other Reserves	17.0	17.0
Retained Profits	4,168.1	4,282.2
<b>Total Capital and Reserves Attributable to Equity Holders of TM</b>	<b>7,780.6</b>	<b>7,894.7</b>
<b>Net Asset per Share Attributable to Ordinary Equity Holders of TM</b>	<b>207.0 sen</b>	<b>210.1 sen</b>

#### ii) Proforma Debt-to-Equity

	<b>Audited as at 31 December 2015 RM Million</b>	<b>After Proposed JLD RM Million</b>
Borrowings	7,583.7	7,583.7
Total Shareholders' Equity	7,780.6	7,894.7
Debt-to-Equity Ratio	1.0	1.0

## 7. APPROVALS REQUIRED

Save as disclosed in Section 2.2 above, the JLDA does not require any regulatory and /or shareholders' approval.

## 8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed below, none of the Directors and other major shareholders of TM and/or persons connected to them has any interest, whether direct or indirect, in the JLDA:

- (a) Khazanah Nasional Berhad (“Khazanah”), a major shareholder of TM, is also a common major shareholder of UEM Sunrise Berhad.
- (b) Minister of Finance Incorporated (“MOF Inc”), the holding company of Khazanah.
- (c) YM Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, a nominee Director of Khazanah.
- (d) Encik Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil, alternate director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin.
- (e) YBhg Dato' Sri Dr Mohamad Isa Hussain, a nominee director of MOF Inc.
- (f) Encik Asri Hamidin @ Hamidon, alternate director to Dato' Sri Dr Mohamad Isa Hussain

## 9. AUDIT COMMITTEE STATEMENT

The Board Audit Committee (“BAC”) of TM, (save for Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, an Interested Director by virtue of his position as a nominee Director of Khazanah, a common major shareholder), having considered all aspects of the JLDA is of the view that the JLDA is in the best interest of TM, fair and reasonable and on normal commercial terms, and is not detrimental to the interest of the minority shareholders of TM.

The above view is arrived at after having considered the rationale of the JLDA and the accretive value it brings to the TM Group.

**10. BOARD OF DIRECTORS' STATEMENT**

The Board of Directors of TM (save for Interested Directors namely, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, Dato' Sri Dr Mohamad Isa Hussain, Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil and Asri Hamidin @ Hamidon) having considered the recommendations of the BAC and the rationale of the JLDA, is of the view that the JLDA is in the best interest of TM, fair and reasonable and on normal commercial terms and not detrimental to the minority shareholders' interest.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstance, the Project is expected to be completed in the year 2022.

**11. HIGHEST PERCENTAGE RATIO APPLICABLE PURSUANT TO PARAGRAPH 10.02 (g) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("MAIL LR")**

Pursuant to paragraph 10.02 (g) of the Main LR, the highest percentage ratio applicable to the JLDA is 1.9%. The value used for the calculation of the percentage ratio is the GLC amount of RM150.0 million only. TM's GDV Entitlement cannot be ascertained at this juncture as the gross development value for the Project will be subject to the DO Approval and mutual agreement of the parties in accordance with the terms of the JLDA.

**12. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS**

In the preceding 12 months, transactions between TM and its subsidiaries, with UEMS Group were RM1.3 Million.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

The JLDA is be available for inspection at the registered office of TM at Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur during office hours on Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 27 May 2016.