

# OTHERS SELANGOR PROPERTIES BERHAD (SPB" OR THE "COMPANY") PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF SPB PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED SCR")

## SELANGOR PROPERTIES BERHAD

Type	Announcement
Subject	OTHERS
Description	SELANGOR PROPERTIES BERHAD (SPB" OR THE "COMPANY") PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF SPB PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED SCR")

The Board of Directors of SPB ("Board") wishes to announce that the Company has today received a letter from its major shareholder, Kayin Holdings Sdn Bhd, requesting for SPB to undertake a selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 ("Act") ("Proposed Letter").

The Proposed SCR entails a selective capital reduction and a corresponding capital repayment of proposed cash amount of RM5.70 per ordinary share in SPB held by all the shareholders of SPB (other than Kayin Holdings Sdn Bhd), whose names appear in the Record of Depositors of SPB as at the close of business on an entitlement date to be determined and announced later by the Board.

The Board, save for Wen Chiu Chi who is deemed interested in the Proposed SCR, will deliberate on the Proposed SCR and decide on the next course of action. Accordingly, a further announcement will be made in due course after the Board's deliberation.

Please refer to the Proposal Letter for further details on the Proposed SCR.

This announcement is dated 25 October 2018.

25 October 2018

**The Board of Directors**  
**SELANGOR PROPERTIES BERHAD**  
Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan



Dear Sirs,

**PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF SELANGOR PROPERTIES BERHAD ("SPB OR THE "COMPANY") PURSUANT TO SECTION 116 OF THE COMPANIES ACT, 2016 ("ACT") ("PROPOSED SCR")**

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**EXECUTIVE SUMMARY**

Against a backdrop of a subdued property investment and development landscape, we, Kayin Holdings Sdn Bhd ("**Kayin**" or the "**Non-Entitled Shareholder**"), in our capacity as the major shareholder of SPB, are writing to submit a formal proposal to the board of directors of SPB ("**Board**") to provide an avenue for the shareholders of SPB to realise all their investment in the Company at one time, by way of a privatisation of SPB through a selective capital reduction and repayment exercise pursuant to Section 116 of the Act ("**Proposal Letter**").

We believe the Proposed SCR represents a good opportunity for all the shareholders of SPB (other than the Non-Entitled Shareholder) whose names appear in the Record of Depositors of SPB as at the close of business on an entitlement date to be determined and announced later by the Board ("**Entitlement Date**") ("**Entitled Shareholders**") to monetise their investment at a cash repayment of RM5.70 per ordinary share in SPB ("**Share(s)**"), which is at a premium ranging from 19.62% to 40.45% above the prevailing market price of the Shares as set out in Section 2.7 of this Proposal Letter.

**MARKET COMMENTARY**

The residential and non-residential markets have continued to decline in the second quarter of 2018 and the property market is expected to remain subdued due to the prevalent oversupply of unsold residential properties, office spaces and shopping complexes.<sup>1</sup>

The oversupply of high-rise residential properties is acute. To address the imbalance supply and demand of the property market, the government has announced a freeze on the development of new luxury residential properties to rebalance the supply in the residential property market.<sup>2</sup>

The incoming supply of office spaces in the Klang Valley in the next four years remains sizeable at 37.9 million square feet as at the second quarter of 2018<sup>3</sup> while the addition of 140 new shopping complexes by 2021 across the Klang Valley, Penang and Johor is expected to worsen the oversupply going forward.<sup>4</sup> The excess supply of office space and shopping complex segments has continued to exert downward pressure on occupancy and rental rates.

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<sup>1</sup> Second Quarter 2018, Quarterly Bulletin, Bank Negara Malaysia

<sup>2</sup> Financial Stability and Payment Systems Report 2017, Bank Negara Malaysia

<sup>3</sup> Financial Stability Review – First Half 2018, Bank Negara Malaysia

<sup>4</sup> Third Quarter 2017, Quarterly Bulletin, Bank Negara Malaysia

**KAYIN HOLDINGS SDN BHD** Co. No 6215 - D

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The number of unsold high-rise residential properties, combined with the oversupply of commercial properties and new developments such as Damansara City and Pavilion Damansara Heights around SPB group's existing properties would not only drive vacancy rates high and depress effective rental rates of its existing investment properties but will also limit the group's development activities, especially on its landbank in Damansara Heights in the short to medium term.

## 1. INTRODUCTION

We wish to request SPB to undertake the Proposed SCR and upon consideration of the Board, present the Proposed SCR to its shareholders, save for the Non-Entitled Shareholder, for their consideration and approval.

As at 24 October 2018, being the latest practicable date of this Proposal Letter ("LPD"), we, together with persons acting in concert with us in accordance with Section 216(2) and Section 216(3) of the Capital Markets & Services Act, 2007 (as set out in the table below) ("**PAC(s)**") collectively hold 234,522,683 Shares, representing approximately 68.25% of the issued share capital of SPB.

The shareholdings of Kayin and its PACs in SPB as at the LPD are as follows:

Name	Direct	
	No. of SPB Shares	%
Kayin	234,447,236	68.23
<b>PAC</b>		
Wen Chiu Chi <sup>(1)</sup>	71,247	0.02
Lee Boon Kian	4,200	*-
Wen Ming Kang <sup>(2)</sup>	-	-
Wen Hsia Min <sup>(3)</sup>	-	-

### Notes:

\* Negligible

- (1) Wen Chiu Chi has 0.02% direct interest and 68.23% indirect interest in SPB by virtue of him being a beneficiary of The Shanti Malaysia Trust with trust company Shanti (Kayin) Limited. The said trust has interest in shares in Kayin (M) Sdn Bhd, which in turn holds 100% interest in shares in Kayin, which in turn holds 68.23% interest in shares in SPB. Wen Chiu Chi is also a director in SPB.
- (2) Wen Ming Kang does not have any direct interest in SPB. He has 68.23% indirect interest in SPB by virtue of him being a beneficiary of The Amita Malaysia Trust with trust company Amita (Kayin) Limited. The said trust has interest in shares in Kayin (M) Sdn Bhd, which in turn holds 100% interest in shares in Kayin, which in turn holds 68.23% interest in shares in SPB.
- (3) Wen Hsia Min does not have any direct interest in SPB. She has 68.23% indirect interest in SPB by virtue of her being a beneficiary of The Manisha Malaysia Trust with trust company Manisha (Kayin) Limited. The said trust has interest in shares in Kayin (M) Sdn Bhd, which in turn holds 100% interest in shares in Kayin, which in turn holds 68.23% interest in shares in SPB.

For the avoidance of doubt, the Non-Entitled Shareholder will not be entitled to the capital repayment pursuant to the Proposed SCR, but its PACs (namely Wen Chiu Chi and Lee Boon Kian) will participate as Entitled Shareholders for the Proposed SCR.

## 2. DETAILS OF THE PROPOSED SCR

- 2.1 The Proposed SCR involves SPB undertaking a selective capital reduction and a corresponding capital repayment pursuant to Section 116 of the Act in respect of the Shares held by the Entitled Shareholders.
- 2.2 As at the LPD, SPB has an issued share capital of RM545,370,929 comprising 343,616,761 Shares, of which the Non-Entitled Shareholder holds 234,447,236 Shares, representing approximately 68.23% of the issued share capital of SPB.
- 2.3 Under the Proposed SCR, the Entitled Shareholders that collectively hold 109,169,525 Shares will receive a total capital repayment of RM622,266,292.50, which represents a cash repayment of RM5.70 for each Share ("**SCR Offer Price**") held by the Entitled Shareholders on the Entitlement Date.
- 2.4 Pursuant to the Proposed SCR, the issued share capital of SPB will be reduced by up to RM622,266,292.50. In view that the capital reduction is higher than the existing issued share capital of SPB, a bonus issue is proposed to be undertaken by SPB to increase the share capital of SPB to a level which is sufficient for the capital reduction to facilitate the Proposed SCR ("**Proposed Bonus Issue**").
- 2.5 All Shares held by the Entitled Shareholders as well as the new Shares to be issued pursuant to the Proposed Bonus Issue will be cancelled. For the avoidance of doubt, the new Shares to be issued pursuant to the Proposed Bonus Issue will not be credited into the Central Depository System accounts of the Entitled Shareholders, will not be listed on the Official List of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and will not be entitled to the capital repayment.
- 2.6 Upon completion of the Proposed SCR ("**Completion**"), the Non-Entitled Shareholder will hold the remaining Shares that are not cancelled and accordingly, the Non-Entitled Shareholder will hold 100% equity interest in SPB.
- 2.7 The SCR Offer Price was arrived at after taking into consideration the closing price and volume weighted average market price ("**VWAP**") of the Shares up to and including the LPD (being the last full trading day prior to the service of this Proposal Letter):

	Market price	Premium over market price/VWAP	
	RM	RM	%
Closing price as at the LPD	4.0600	1.6400	40.39
5-day VWAP up to the LPD	4.0583	1.6417	40.45
1-month VWAP up to the LPD	4.1694	1.5306	36.71
3-month VWAP up to the LPD	4.1525	1.5475	37.27
6-month VWAP up to the LPD	4.1680	1.5320	36.76
1-year VWAP up to the LPD	4.7650	0.9350	19.62

(Source: Bloomberg)

- 2.8 The Proposed SCR is expected to be funded via the Company's internally generated funds and/or bank facilities to be obtained by the Company.
- 2.9 We do not intend to maintain the listing status of SPB on the Main Market of Bursa Securities and will request SPB to make an application to Bursa Securities to delist SPB and withdraw its listing status from the Official List of Bursa Securities upon Completion.

### 3. RATIONALE FOR THE PROPOSED SCR

The residential and non-residential markets have continued to decline in the second quarter of 2018 and the property market is expected to remain subdued due to the prevalent oversupply of unsold residential properties, office spaces and shopping complexes.<sup>5</sup>

The oversupply of high-rise residential properties is acute. To address the imbalance supply and demand of the property market, the government has announced a freeze on the development of new luxury residential properties to rebalance the supply in the residential property market.<sup>6</sup>

The incoming supply of office spaces in the Klang Valley in the next four years remains sizeable at 37.9 million square feet as at the second quarter of 2018<sup>7</sup> while the addition of 140 new shopping complexes by 2021 across the Klang Valley, Penang and Johor is expected to worsen the oversupply going forward.<sup>8</sup> The excess supply of office space and shopping complex segments has continued to exert downward pressure on occupancy and rental rates.

The number of unsold high-rise residential properties, combined with the oversupply of commercial properties and new developments such as Damansara City and Pavilion Damansara Heights around SPB group's existing properties would not only drive vacancy rates high and depress effective rental rates of its existing investment properties but will also limit the group's development activities, especially on its landbank in Damansara Heights in the short to medium term.

In addition, the trading liquidity of the Shares has been low, with an average daily trading volume of approximately 57,617 Shares and a total number of 37,911,900 Shares traded for the past 3 years up to the LPD. This average daily trading volume merely represents 0.05% of the free float as at the LPD. Considering the illiquidity of the Shares, the Proposed SCR represents an avenue for the Entitled Shareholders, especially those with significant number of Shares, to realise their investment.

The SCR Offer Price is at a premium ranging from 19.62% to 40.45% above the prevailing market prices of the Shares as set out in Section 2.7 of this Proposal Letter. It is also pertinent to note that the Shares have not traded at or above the SCR Offer Price since March 2016. This is a good and expedient opportunity for the Entitled Shareholders to realise their investment in the Company for cash at the SCR Offer Price during this challenging period.

The privatisation of SPB by way of Proposed SCR is intended to provide SPB with greater flexibility to manage and develop their existing businesses and undertake corporate exercises which may otherwise require lengthy shareholders' and regulatory approvals. It will also eliminate the administrative efforts and costs associated with its listed status on Bursa Securities which can be utilised more effectively and efficiently on the core business of SPB.

### 4. DISTRIBUTION

If SPB declares, makes or pays any dividend and/or any other distribution of any nature whatsoever (collectively, "**Distribution**") on or after the date of this Proposal Letter up to the Completion, the SCR Offer Price shall be reduced by an amount equivalent to the Distribution made per Share.

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<sup>5</sup> Second Quarter 2018, Quarterly Bulletin, Bank Negara Malaysia

<sup>6</sup> Financial Stability and Payment Systems Report 2017, Bank Negara Malaysia

<sup>7</sup> Financial Stability Review – First Half 2018, Bank Negara Malaysia

<sup>8</sup> Third Quarter 2017, Quarterly Bulletin, Bank Negara Malaysia

## 5. COVENANTS

5.1 From the date of this Proposal Letter until Completion, SPB shall agree with and undertake to us that:

- (a) SPB will not conduct any form of capital raising exercise, whether in the form of debt or equity and will not grant any options over the Shares or issue any new Shares;
- (b) SPB and its subsidiaries will not enter into any material commitment or material contract or undertake any obligation or acquire or dispose any of its assets (unless it is pursuant to Section 2.8 of this Proposal Letter) or create a security interest over any of its assets outside the ordinary course of business;
- (c) SPB will not pass any resolution in general meeting (other than in respect of any ordinary business tabled in an annual general meeting) or make any alteration to the provisions of the constitution of SPB or any of SPB's subsidiaries; and
- (d) SPB will not do or cause, or allow to be done or omitted, any act or thing which would result (or be likely to result) in a breach of any lawful obligation of SPB or any of its subsidiaries,

without our prior written consent.

5.2 In addition, SPB shall not enter into any discussion or negotiation, or agreement, with any other party with respect to the sale of its or its subsidiaries' assets and liabilities or any privatisation proposal involving SPB or any of its subsidiaries at any time until the Completion without our prior written consent.

5.3 SPB also undertakes that, as from the date thereof until Completion, it (and it shall use reasonable endeavours to cause and procure that each SPB subsidiary) shall carry on its business only in the usual, regular and ordinary course in substantially the same manner as the same is carried on as of the date hereof so as to preserve its relationships with all parties to the end that its goodwill and going concern shall not be materially impaired at the Completion, save as otherwise agreed in writing by us.

## 6. CONDITIONS PRECEDENT

The Proposed SCR is subject to and conditional upon the following being obtained:

- (a) the approval from the disinterested shareholders of SPB for the Proposed SCR via a special resolution to be tabled at the forthcoming extraordinary general meeting ("**EGM**") for the Proposed SCR ("**Special Resolution**"), and the Special Resolution:
  - (i) is required to be approved by at least a majority in number of the disinterested shareholders and 75% in value to the votes attached to the Shares held by the disinterested shareholders that are cast either in person or by proxy at the EGM; and
  - (ii) must not be voted against by more than 10% of the votes attached to the Shares held by the disinterested shareholders of the total voting shares of SPB;
- (b) the grant of an order by the High Court of Malaya confirming the reduction of the issued share capital of SPB pursuant to Section 116 of the Act ("**Order**");

- (c) the approval and/or consent of the existing financiers and/or creditors of SPB, if required, and;
- (d) where required, the approval and/or consent of any other relevant governmental or regulatory authority or parties.

The Proposed SCR will become effective upon lodgement of the Order with the Registrar of Companies ("**Lodgement**") pursuant to Section 116(6) of the Act. It is contemplated that the payment of the SCR Offer Price to the Entitled Shareholders will be made as soon as practicable following the Lodgement, but in any event no later than 10 days from the date of Lodgement.

## **7. OTHER MATTERS**

In view that the Proposed SCR is at our request, we wish to confirm that:

- (a) the directors in SPB and any persons connected to them who are deemed interested in the Proposed SCR, if any, will abstain from all deliberations and voting at the relevant Board meeting pertaining to the Proposed SCR or any other resolution to facilitate the implementation of the Proposed SCR and will also abstain from voting pursuant to any direct and/or indirect shareholdings in SPB, if any, on the Special Resolution;
- (b) the Non-Entitled Shareholder and its PACs shall also abstain from voting in respect of their direct and/or indirect interests in SPB, if any, on the Special Resolution; and
- (c) we will assist and co-operate with SPB and the Board on the provision of such information on the part of the Non-Entitled Shareholder that may be required to enable the preparation of the circular to shareholders of SPB, independent advice letter and application the High Court of Malaya for the Order.

## **8. GOVERNING LAW AND DISPUTE RESOLUTION**

The Proposed SCR and any agreement constituted by the acceptance of this letter shall be governed by the laws of Malaysia and each party will submit to the non-exclusive jurisdiction of the courts of Malaysia.

## **9. ACCEPTANCE PERIOD**

If the Board (save for any interested directors) is agreeable to take steps to implement the Proposed SCR and to recommend the Proposed SCR to the Entitled Shareholders of SPB upon the terms envisaged in this Proposal Letter, please execute the duplicate of this letter at the place indicated, and return the same to us so as to be received by us no later than 5.00 p.m. on 17 December 2018 (or such other date as may be extended by us in writing) after which the proposal in this Proposal Letter shall lapse.

Yours faithfully,  
For and on behalf of

**KAYIN HOLDINGS SDN BHD**



**WEN CHIU CHI**  
Director