Company Name : **METROPLEX BERHAD**
Stock Name : **METPLEX**
Date Announced : **30/12/2005**

Type : **Announcement**
Subject : **PROPOSED DISPOSAL BY METROPLEX HOLDINGS SDN BHD ("MHSB"), A WHOLLY-OWNED SUBSIDIARY OF MB OF A SHOPPING COMPLEX KNOWN AS "THE MALL" AND AN OFFICE BUILDING TOGETHER WITH 1,323 CAR PARKING BAYS TO LEMBAGA KUMPULAN WANG SIMPANAN PEKERJA ("KWSP") FOR A TOTAL CASH CONSIDERATION OF RM438,330,000 ("PROPOSED DISPOSAL")**

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1. INTRODUCTION

AmMerchant Bank Berhad (a member of AmInvestment Group) ("AmMerchant Bank"), on behalf of the Board of Directors of MB, wishes to announce that MHSB, a wholly-owned subsidiary of MB had on 30 December 2005 entered into a conditional sale and purchase agreement ("SPA") with KWSP for the proposed disposal of a shopping complex known as The Mall ("The Mall") and an office building ("Office Building") together with 1,323 car parking bays ("Car Parking Bays") (collectively known as the "Building") for a total cash consideration of RM438.33 million.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on the Building

The Building is situated within an integrated retail, office and hotel development known as "Putra Place" erected on part of a piece of freehold land held under No. Hakmilik 10012, No. Lot 38, Seksyen 51, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur ("Land") with the postal address of 100 Jalan Putra, 50350 Kuala Lumpur measuring 193,621 square feet ("sq. ft."). (The Building and the portion of the Land on which the Building is erected are collectively known as the "Property"). The total built-up area of the Building is 1,608,896 sq. ft. Further details of the Building is as follows:-

2.1.1 The Mall

The Mall consists of a seven (7) level podium retail/shopping complex located in Putra Place. Pertinent information on The Mall is set out in Table 1.

As at 1 December 2005, the occupancy rate for The Mall is approximately 95%. For the financial year ended ("FYE") 31 January 2005, the gross rental income from tenancy generated by The Mall is approximately RM21.9 million.

2.1.2 Office Building

The Office Building consists of a 27 level office block which forms part of the Putra Place development. Pertinent information on the Office Building is set out in Table 2.

As at 1 December 2005, the Office Building has an occupancy rate of approximately 73.6%. For the FYE 31 January 2005, the gross rental income from tenancy generated by the Office Building is approximately RM8.6 million.

2.1.3 Car Parking Bays

There are in aggregate 1,323 car parking bays constructed within the Putra Place development. The Mall and Office Building have been allocated 715 and 608 car parking bays respectively.

Construction of the 715 car parking bays located at Basement 1 and Basement 2 of The Mall commenced on 15 September 1984 and was completed on 24 April 1987 whilst the construction of the remaining 608 car parking bays located at the 5th, 6th, 7th and 8th floor of the Office Building commenced on 3 April 1991 and was completed on 8 October 1993. The total built-up area of the Car Parking Bays is 585,540 sq. ft.

For the FYE 31 January 2005, the gross income generated by the Car Parking Bays is approximately RM3.8 million. The Car Parking Bays are open to all visitors of Putra Place.

Messrs. CH Williams Talhar & Wong Sdn Bhd, an independent valuer, ("Independent Valuer") has valued the Property at RM460.4 million on 22 September 2005, being the valuation date. The valuation on the Property have been carried out primarily based on the investment method and supported by the comparison method.

The Land is presently charged to Commerce International Merchant Bankers Berhad (as trustee) ("1st Chargee") via Presentation No. 17415/1993 Jilid 732 Folio 27 on 3 November 1993 (hereinafter referred to as the "1st Charge") and Aseambankers Malaysia Berhad ("2nd Chargee") via Presentation No. 20256/1995 on 11 December 1995 (hereinafter referred to as the "2nd Charge") as part security for credit facilities granted to MB.

Part of the said Land is leased to Tenaga Nasional Berhad ("TNB") via No. Perserahan 5732/87, Jilid 7, Folio 79 and via No. Perserahan 5733/87, for a period of 30 years commencing 5 April 1987 and expiring on 4 April 2017 measuring approximately 5,533 sq. ft. (hereinafter referred to as "TNB Lease").

The Property shall be disposed off pursuant to the terms and conditions stated in the SPA.

2.2 Cost of Investment and Net Carrying Value of the Property

The total cost of investment for the Property is approximately RM181.23 million. The net audited carrying value of the Property as at 31 January 2005 is approximately RM415 million (including revaluation surplus of the Property).

2.3 Salient Terms of the SPA

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

i) MHSB hereby agrees to sell and KWSP hereby agrees to purchase the Property on "as is where is basis" at a sale consideration of RM438.33 million free from all liens, caveats, claims and encumbrances, together with all rights, title and interest therein and thereto subject however to the conditions, category of use and restrictions of title of the Land expressed or implied in the document of title to the Land upon the terms and conditions as contained in the SPA save and except subject to:-

a) the existing tenancies;
b) the TNB Lease;
c) the 1st Charge which will subsequently be discharged;

d) the 2nd Charge which the 2nd Chargee will subsequently disclaim the Property;

ii) MHSB shall appoint an independent consultant to carry out a building audit to confirm the structural and mechanical condition of the Office Building (excluding the common areas and common equipment) ("Building Audit").

iii) The payment of the sale consideration of RM438.33 million or any part thereof shall be as follows:-

a) Firstly, the rental deposit and utilities deposit and/or other deposit retained by MHSB pursuant to the existing tenancy agreements amounting to RM7,068,805.92 (which amount may differ on the completion date of the sale and purchase transaction (hereinafter referred to as "Rental Deposit");

b) Secondly, a sum of RM6,700,000.00 shall be retained by KWSP as security for the settlement of costs to be incurred by MHSB ("Ancillary Costs") for the following purpose:-

(i) fees payable to the retail consultant for The Mall;

(ii) costs for the Building Audit;

(iii) financial and legal due diligence fees;

(iv) professional fees for the valuation of the Property;

(v) all premium in relation to the subdivision of the strata titles for Putra Place and other related costs;

(vi) costs for the upgrading of common areas surrounding the Properties which mutually benefits KWSP and MHSB;

(vii) contribution to the infrastructural works for the construction of a flyover for the Light Rapid Transport (if necessary); and

(viii) contribution to the infrastructural works for the construction of a pedestrian overhead bridge connecting The Mall to the Pan Pacific Hotel (if necessary);

c) Thirdly, MHSB's solicitors will utilise or cause the sale consideration less the Rental Deposit and Ancillary Costs (hereinafter referred to as "Balance Sale Consideration") or any part thereof to be utilised in accordance with Clause 2.3(iv) below.

iv) KWSP shall pay to MHSB's solicitors as stakeholder the Balance Sale Consideration by the completion date (being the 1st day of the immediate subsequent month if the date of satisfaction of the conditions precedent falls at any time on or before the 15th of a calendar month or the 1st day of the month following next if the date of satisfaction falls at any time after the 15th of the month) (hereinafter referred to as "Completion Date"). MHSB's solicitors shall deal with the Balance Sale Consideration as follows:-

(a) payment of the redemption sum due to the 1st Chargee and the 2nd Chargee respectively for the purpose of discharging the Land from the 1st Chargee and redeeming the Property from the 2nd Chargee;
(b) payment of real property gains tax; and

(c) the balance (if any) shall be released to MHSB or nominees as instructed by MHSB.

(v) The sale and purchase of the Property shall be subject to and conditional upon, *inter-alia*, the following conditions precedent being fulfilled on or before the six (6) months period from the date of the SPA ("Approval Period") or such extended approval period as agreed by KWSP and MHSB pursuant to the SPA except in part (d) and (e) below :-
(a) The approvals as set out in Section 4 of this announcement;
(b) KWSP being registered as the joint proprietor of the Land;
(c) the issuance of a conditional letter of undertaking from the 1st Chargee within two (2) months from the date of the SPA or such extended period to be mutually agreed between KWSP and MHSB ("Chargees Approval Period") to execute the discharge of the 1st Charge in respect of the Land;

(d) the issuance of a conditional letter of undertaking and disclaimer from the 2nd Chargee within the Chargees Approval Period and that the 2nd Chargee will disclaim all rights and interest in respect of the Property;

(e) the completion of the Building Audit;

(f) a financial due diligence exercise undertaken by a financial consultant;

(g) a legal due diligence of the Property, the existing tenancy agreements and other related contractual arrangements in relation to the Property and the existing tenancies;

(h) the execution of a Properties Management Agreement and a Lease

Agreement which shall only be effective on the Completion Date;

(i) KWSP obtaining the necessary approvals for the acquisition of the Property from MHSB at the sale consideration; and

(vi) On the Completion Date, MHSB shall execute and deliver to KWSP the original deed(s) of assignment of the existing tenancy agreements.

(vii) If in the event there is a default by MHSB to complete the sale and disposal of the Property in accordance with the terms and conditions of the SPA or KWSP fail to pay the Balance Sale Consideration or any part thereof by the Completion Date, the non-defaulting party shall be entitled to claim for specific performance of the SPA against the defaulting party or to terminate the SPA in which event the following consequences shall take place:-

(a) The defaulting party shall pay the non-defaulting party a sum equal to 10% of the sale consideration as agreed liquidated damages;

(b) KWSP shall return to MHSB all relevant documents with MHSB's interest intact; and

(c) KWSP shall withdraw any caveat(s) lodged by KWSP against the Land (if any).

If the SPA failed to be completed due to no default by either MHSB and/or KWSP despite all reasonable efforts taken by MHSB and/or KWSP, the SPA shall be terminated. KWSP shall:-

(a) return to MHSB all relevant documents with MHSB's interest intact; and

(b) withdraw any caveat(s) lodged by KWSP against the Land (if any).

(viii) For the purchase of the Property:-

(a) In the event that KWSP wishes to sell the Property (or any part thereof) by direct negotiation, KWSP hereby grants to MHSB a first right of refusal save and except where the sale by KWSP is to a subsidiary or associated company of KWSP or where KWSP transfers the Property to KWSP 's own Real Estate Investment Trusts.

(b) In the event the subsidiary or associated company of KWSP wishes to sell the Property (or any part thereof) to a third party, Clause 2.3(viii)(a) above shall be binding on the subsidiary or associated company.

(c) In the event that the Purchaser wishes to sell the Property (or any part thereof) by tender process, MHSB shall be given the option to equal the highest tender price and on terms not less favourable than the terms and conditions offered by the highest tenderor. In such event, MHSB shall be given the first right to purchase the Property (or any part thereof).

(d) For the tenancy of the Car Parking Bays, KWSP and MHSB agree that KWSP shall grant to the Legend Hotel and the Legend Hotel shall not refuse to rent a minimum of 435 units and a maximum of 477 units on Levels 6, 7 and 8 of the Building at such prevailing market rate of rental and terms to be agreed by KWSP and MHSB.

2.4 Basis for Determining the Sale Consideration

The sale consideration of RM438.33 million for the Proposed Disposal was arrived at on a "willing buyer willing seller" basis after taking into consideration a discount of approximately 4.8% (amounting to approximately RM22.07 million) of the total market value of the Property based on the valuation appraised by the Independent Valuer on 22 September 2005 of RM460.4 million.

2.5 Rationale for the Proposed Disposal

As part of a group-wide restructuring exercise to reduce its bank borrowings, the Proposed Disposal will allow MB and its subsidiaries ("MB Group") to unlock the value of the Property and realise its investment in the Property. After taking into consideration the net carrying value of the Property of approximately RM415 million (including revaluation surplus of the Property) as at 31 January 2005 as well as the estimated related expenses of approximately RM29.5 million for the Proposed Disposal, the estimated book loss on disposal to the MB Group is expected to be approximately RM5.06 million.

The Proposed Disposal would enable the MB Group to reduce its bank borrowings by RM401.76 million. In addition, the Proposed Disposal will also enable the MB Group to streamline its investment holdings and in particular, dispose of non-core assets to focus on other existing and future operations.

2.6 Proposed Utilisation of Proceeds

The net cash proceeds is expected to be RM431.26 million (after deducting approximately RM7.07 million of Rental Deposit from the total sale consideration of RM438.33 million) and is expected to be utilised for the repayment of the MB Group's secured lenders and for estimated expenses in relation to the Proposed Disposal is set out in Table 3.

The potential interest savings arising from the repayment to secured lenders is approximately RM44.7 million per annum. This will result in a reduction in the Group's gearing ratio from 9.78 times as at 31 January 2005 to 6.43 times as well as total borrowings from approximately RM1,076.9 million as at 31 January 2005 to approximately RM675.1 million.

2.7 Information on KWSP

KWSP was established under the KWSP Ordinance 1951 as a National Social Security Organisation on 1 October 1951. KWSP is a National Social Security Organisation operating through a Provident Fund in Malaysia, which provides retirement benefits for members through management of their savings in an efficient and reliable manner. KWSP also provides a convenient framework for employers to meet their statutory and moral obligations to their employees.

As at 31 December 2004, the contributions account of KWSP amounted to approximately RM238.9 billion. Based on the latest audited financial statements of KWSP for the FYE 31 December 2004, KWSP recorded a net income of approximately RM10.65 billion and net income after taxation of approximately RM10.61 billion. As at 31 December 2004, the audited net tangible assets ("NTA") of KWSP and its subsidiaries was approximately RM239 billion.

(Source: KWSP annual report for the FYE 31 December 2004, obtained from the it's website : www.kwsp.gov.my)

3. EFFECTS OF THE PROPOSED DISPOSAL

3.1 Share capital and Major Shareholders

The Proposed Disposal will not have any effect on the share capital and shareholding of major shareholders of MB.

3.2 Earnings

Barring any unforeseen circumstances and based on the assumption that the Proposed Disposal will be completed by the first half of 2006, the Proposed Disposal is expected to result in a book loss on disposal of approximately RM5.06 million or approximately 0.56 sen per ordinary share of RM0.50 each ("Share") for the MB Group for the FYE 31 January 2007.

As the proceeds from the Proposed Disposal will mainly be used for repayment of MB Group's secured lenders, the Proposed Disposal will result in interest savings of approximately RM44.7 million per annum to the MB Group.

3.3 NTA

The effects of the Proposed Disposal on the NTA and NTA per Share of the MB Group based on the latest audited consolidated accounts of the MB Group as at 31 January 2005 is set out in Table 4.

4. APPROVALS REQUIRED

The Proposed Disposal is subject to: -

(i) MB obtaining the approval of the Securities Commission ("SC") for the Proposed Disposal;

(ii) MB obtaining the approval of their shareholders at an extraordinary general meeting ("EGM") to be convened;

(iii) KWSP obtaining the approval from the Foreign Investment Committee ("FIC") for the acquisition of the Property;

(iv) MHSB obtaining the approval of their shareholders; and

(v) Approval of any other relevant authorities (if required).

5. DISCLOSURE OF DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors, major shareholders of MB and persons connected with them has any interest, direct and/or indirect in the Proposed Disposal.

6. DIRECTORS' RECOMMENDATION

The Board of Directors of MB, having considered the rationale for the Proposed Disposal and after careful deliberation, are of the opinion that the Proposed Disposal is in the best interest of the MB Group and its shareholders.

7. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the first half of 2006.

8. ADVISER

AmMerchant Bank has been appointed as Adviser to MB for the Proposed Disposal.

9. DOCUMENTS FOR INSPECTION

The SPA and the valuation report prepared by the Independent Valuer will be made available for inspection at the registered office of MB at 9th Floor, Wisma Equity, No. 150 Jalan Ampang, 50450 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) for a period of one (1) month from the date of this announcement.

10. COMPLIANCE WITH THE SC'S POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES ("SC GUIDELINES")

To the best knowledge of the board of Directors of the MB Group, the Proposed Disposal does not depart from the SC Guidelines.