

IMPLEMENTATION OF PENANG TRANSPORT MASTER PLAN

➤ PROJECT DEVELOPMENT OF ISLAND A VIA JOINT VENTURE

Reference is made to the announcements made by Gamuda Berhad [Co. Regn. No. 197601003632 (29579-T)] (“Gamuda” or “Company”) on 14 August 2015, 4 August 2016, 15 March 2017, 5 September 2017, 6 September 2017, 24 September 2018, 10 September 2019, 2 March 2020 and 1 July 2020.

The terms used herein shall, unless the context otherwise state, bear the same meaning as those defined in the aforesaid announcement dated 1 July 2020.

INTRODUCTION

The Company has on 1 July 2020 announced that its 60% owned subsidiary, SRS Consortium Sdn Bhd [Co. Regn. No. 201701031438 (1245608-K)] (“PDP” or “SRS”) has executed the Master Agreement (“Master Agreement”) with the State Government of Penang (“PSG”) in respect of the appointment of the PDP to manage and deliver the Penang transport master plan (“PTMP” or “Project”). Under the Master Agreement, the PDP’s responsibility is to manage the delivery of the Project within budget and time for PSG as the Project owner.

Following months of negotiation, the PSG and SRS have come to an agreement whereby SRS will undertake the development of Island A (“Project Development of Island A”) [as more particularly described in paragraph 2(a) below] through the deployment of private sector capital without any recourse to PSG.

The Company now wishes to announce that the PSG has on 25 March 2021 accepted the terms of the Project Development of Island A as contained in SRS’s proposal (“Proposal”). SRS has on the even date acknowledged the PSG’s acceptance of the Proposal.

SALIENT TERMS OF THE PROPOSAL

1. PROJECT DEVELOPMENT OF ISLAND A

The components comprised in the Project Development of Island A (more particularly described in paragraph 2 below) shall be implemented via a project development model in joint venture with the PSG. A project developer company shall be formed between SRS and an PSG appointed entity (“Project Developer”).

As the funding of these components is to be borne entirely by the Project Developer, the delivery of these components shall no longer be carried out under the project delivery partner model under the Master Agreement. A supplemental agreement to the Master Agreement will be executed to effect the change. All other components comprised in the Master Agreement shall remain under the PDP model.

2. PROJECT DEVELOPMENT

The Project Developer [as described in paragraph 2(a) below] of which the PSG nominee, Penang Infrastructure Corporation Sdn Bhd [Co. Regn. No. 202001017891 (1374211-V)] (“PSG Nominee”) is part of has the sole, exclusive and full right to carry out the Project Development of Island A comprising the following: -

- the Project Development Master Planning including securing planning approvals and other approvals for the Common Infrastructure (including smart city features), Investor Marketing and Land Sale of the reclaimed lands (“MPIL”); and
- the design, construction and completion of Island A, Common Infrastructure (including smart city features), PIL 2A and Airport Link (“Works”).

A detailed Project Development Agreement between the PSG and the Project Developer shall be executed in due course.

(a) Project Developer

The Project Developer is a joint venture company where the shareholders are the entity nominated by the PSG (“PSG Nominee”) and a special purpose vehicle to be set-up by SRS (“SRS PD”) with the following shareholdings: -

PSG Nominee	:	30%
SRS PD	:	70%

SRS PD shall fund all equity capital required and arrange for the necessary borrowings as may be required by the Project Developer to undertake and fulfil all its obligations under the Project Development.

The PSG Nominee shall have no liability to fund the Project Developer. All equity injection of the Project Developer shall be funded entirely by SRS PD on behalf of the PSG Nominee. In addition, SRS PD shall ensure that the PSG Nominee shall have no obligation or liability to provide any collateral for the borrowings of the Project Developer.

The Works shall be awarded to a Turnkey Contractor [as more particularly described in paragraph 2(b) below] pursuant to a Turnkey Contract to be executed between the Project Developer and the Turnkey Contractor, at a turnkey contract price determined in the manner as set out in paragraph 2(b)(ii) below.

PSG Nominee and SRS PD shall enter into a Shareholders Agreement to regulate their rights and liabilities, *inter se* in the Project Developer.

(b) Turnkey Contractor (“TC”)

The TC is a joint venture company where the shareholders are the entity nominated by the PSG (“PSG Nominee”) and a special purpose vehicle to be set-up by SRS (“SRS TC”) with the following shareholdings: -

PSG Nominee : 30%
SRS TC : 70%

SRS TC shall fund all equity capital required and shall arrange for the necessary borrowings as may be required by the TC to undertake and fulfil all its obligations under the Turnkey Contract.

The PSG Nominee shall have no liability to fund the TC. All equity injection of the TC shall be funded entirely by SRS TC on behalf of the PSG Nominee. In addition, SRS TC shall ensure that the PSG Nominee shall have no obligation or liability to provide any collateral for the borrowings of the TC.

PSG Nominee and SRS TC shall enter into a Shareholders Agreement to regulate their rights and liabilities, *inter se* in the TC.

(i) Works to be Undertaken by TC

The TC shall award the works mutually identified by the PSG and the Project Developer as “Phase 1 Reclamation” to Gamuda Engineering Sdn Bhd [Co. Regn. No. 200001004264 (506869-K)] (“GE”), a wholly owned subsidiary of Gamuda on a design and build lump sum contract basis whilst all other Works (save for Phase 1 Reclamation) shall be tendered out by the TC.

The final acreage of Phase 1 Reclamation and the completion date shall be mutually determined between the PSG and the Project Developer after taking into consideration the land use plan and rate of market absorption.

Phase 2 Reclamation commencement shall be mutually agreed between PSG and the Project Developer.

(ii) Turnkey Contract Price

The Turnkey Contract price payable to the TC by the Project Developer shall be the aggregate of:

- the lump sum price of Phase 1 Reclamation (“Phase 1 Price”);
- the aggregate of the awarded prices of all other Works; and
- a mutually agreed mark-up which shall take into consideration the TC’s overhead costs, payments to consultants and a fair and reasonable profit.

The Phase 1 Price shall be determined after verification by an Independent Consulting Engineer (“ICE”) to be appointed by the PSG and shall be no later than three (3) months from the date of acceptance by the PSG of the Proposal.

(b) MPIL

The Project Developer's fundamental roles and responsibilities in respect of MPIL are *inter-alia*, as follows: -

- To call tenders for the land parcel sales and sell to the highest credible bidder;
- The land sale proceeds shall be applied to defray all of Project Developer's costs and liabilities, including but not limited to payments to the TC, interest, fees and principal repayment to financiers, and all taxes.

To prevent an oversupply of land which may depress land sale prices, the following shall only be carried out with the mutual agreement of both the PSG and SRS or at the expiry of 10 years from the commencement of works of the Project Development of Island A, whichever occurs first:

- the commencement of reclamation of Islands B and/or C; and
- the approval of reclamation in the State by PSG, unless such reclamation is less than 50 acres or such reclamation has already been approved previously.

SOURCE OF FUNDS

Gamuda shall fund its share in the Project Developer and TC joint venture companies through internally generated funds and bank borrowings.

FINANCIAL EFFECTS

1. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The Proposal will not have any effect on the share capital and substantial shareholders' shareholdings of Gamuda.

2. EARNINGS

Whilst the Proposal is not expected to have any material effect on the earnings of the Gamuda Group for the financial year ending 31 July 2021, it is expected to contribute positively to the future earnings of the Gamuda Group.

3. NET ASSETS ("NA")

The Proposal is not expected to have any material impact on the NA of the Gamuda Group for the financial year ending 31 July 2021.

APPROVAL(S) REQUIRED

The execution of the supplemental agreement to the Master Agreement, the Project Development Agreement, the Shareholders Agreement in respect of the Project Developer and the TC, respectively and the Turnkey Contract are not subject to the approval of the shareholders of Gamuda or any government authorities.

DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors, major shareholders or persons connected to them has any interest, direct or indirect, in the Proposal.

This announcement is dated 25 March 2021.