PROPOSED ACQUISITION OF PRIME PROPERTY IN CITY OF LONDON KNOWN AS WINCHESTER HOUSE, VIA ACQUISITION OF SHARES IN WESSEX WINCHESTER PROPCO LIMITED

1. INTRODUCTION

The Board of Directors of Gamuda Berhad (Co. Regn. No. 197601003632 (29579-T)] ("**Gamuda**" or "**Company**") is pleased to announce its acquisition of Winchester House London, the current UK headquarters of Deutsche Bank AG in the United Kingdom ("**UK**"), in partnership with Castleforge Partners Limited (Co Regn. No. 09103652) ("**Castleforge**"), a leading UK-based real estate private equity investor (**"Proposed Acquisition"**).

The Proposed Acquisition is part of Gamuda Land's Quick-Turnaround-Projects ("**QTP**") strategy, which aims to build a regional portfolio of real estate projects with high internal rate of return (IRRs), with investment timeframes of 5 years or less. QTP is sector-agnostic and seeks to capitalise on strong demand, proprietary and off-market deals with value-add potential. The QTP strategy is intended to diversify the portfolio, maximise returns on capital, and grow Gamuda Land's geographical presence beyond Malaysia.

Subsequent to the Proposed Acquisition, Winchester House London will be refurbished and upgraded into a best-in-class, top-rated environmentally sustainable ESG office space catering to global or multinational financial institutions, legal firms, and mega-tech corporations. Gamuda intends to dispose of this investment, by the 5th year or prior, after locking in strong pre-lease arrangements by quality tenants.

2. PARTICULARS OF THE PROPOSED ACQUISITION

On 27 March 2023, Gamuda and Castleforge, via Venta Belgarum II Limited Partnership (LP4135) ("**VB II**" / "**Buyer**"), signed a Sale and Purchase Agreement to acquire 100% equity interest in Wessex Winchester Propco Limited (Jersey Co. Regn. No. 111562) ("**Prop Co**"), owner of Winchester House, for a total cash consideration of £257 million (RM1,392 million) from Wessex Winchester Limited Partnership ("**Vendor**" or "**Wessex Winchester LP**") ("**SPA**"). VB II is a 75:25 development partnership where Gamuda holds the higher stake, formed between the wholly owned subsidiary of Gamuda in Labuan namely, Gamuda Land (Labuan) Limited (Co. Regn. No. LL18384) ("**GLL**") and Castleforge's 100% partnership entity, Athelstan Limited.

Gamuda and Castleforge, via VB II have negotiated a favourable payment schedule to the Vendor, of which only £20 million (RM108 million) out of the total consideration of £257 million (RM1,392 million) (~8%) is payable upon signing of the SPA, with the remaining balance to be funded by non-recourse debt and final payment within 24 months of exchange. Please refer to Section 5 on Purchase Consideration for the details of the payment schedule of the Proposed Acquisition.

Upon completion of the Proposed Acquisition, Gamuda will effectively own 75% of the Prop Co, with the remaining 25% owned by a Castleforge fund, Castleforge Partners IV Limited Partnership. (via Athelstan Limited), and Castleforge shall also serve as the development manager. Gamuda intends to syndicate part of its 75% equity stake to interested investors post completion of the Proposed Acquisition.

Winchester House London's current lease to Deutsche Bank AG as the bank's London headquarters is due to expire in April 2024. Gamuda and Castleforge's business plan entails:-

a) the refurbishment of Winchester House from 8-storeys (317,000 sq ft) to 11 storeys, resulting in an additional ~200,000 sq ft of space to total approximately 500,000 sq ft;

b) upgrading the building's ESG credentials to best-in-class, i.e. Building Research Establishment Environmental Assessment Method ("**BREEAM**") **<u>Outstanding</u>**, Net Zero Embodied & Operational, Well Core Platinum, and NABERS UK 5-star rating. BREEAM Outstanding is the highest level of certification within the BREEAM rating system, which signifies exceptional sustainability performance where certified buildings must meet rigorous criteria across several categories, such as energy efficiency, water usage, materials, pollution, transport, and ecology.

c) divestment within 5 years or prior, upon the full lease up of the building which may also occur on pre-lease arrangements prior to building completion. As the City of London is facing a limited supply of **<u>Outstanding</u>** BREEAM-rated offices (less than 2% of office spaces in the City of London), Gamuda and Castleforge are confident that the refurbished Winchester House will appeal to multi-national corporates seeking high-quality, sustainable office spaces.

3. INFORMATION ON CASTLEFORGE AND BUYER'S SHAREHOLDERS

a) CASTLEFORGE

Castleforge is a leading private real estate investor based in the UK that specialises in research-led investment themes, vertical integration, and in-house operating platforms in commercial property. Founded in 2010, Castleforge via its funds that it manages, has invested in, acquired and developed approximately £1 billion (RM5.4 billion) of assets and successfully delivered 2.4 million sq ft of office space in selected UK and European cities. The Castleforge senior management team has 12 years of experience in the UK office sector and a track record of delivering top quality office space with a focus on ESG. Additionally, they have consistently achieved a minimum return of 25% IRR on their investments.

b) ATHELSTAN LIMITED (BUYER'S SHAREHOLDER)

Athelstan Limited (Guernsey Co. Regn. No. 71578) is a Guernsey-based real estate investment company incorporated on 13 February 2013. It is 100%-owned by Castleforge Partners IV Limited Partnership. The directors of Athelstan Limited are Tom Chamberlain and Dene Reardon.

c) GAMUDA LAND LABUAN (GLL) (BUYER'S SHAREHOLDER)

GLL is an investment holding company, wholly owned by Gamuda and incorporated in Labuan, Malaysia. Its directors are Mohammed Rashdan Mohd Yusof, Chu Wai Lune and Ng Kit Cheong, all of whom are Gamuda personnel.

4. DETAILS OF THE PROP CO AND UNDERLYING ASSET

Wessex Winchester Propco Limited (Jersey Co. Regn. No. 111562) ("**Prop Co**") is an investment holding company and the owner of Winchester House, a prime commercial building located in the City Cluster in the heart of London's financial district, also known as the Square Mile. The 8-storey building, which includes 3 basement levels, spans 317,000 sq ft and is situated in a highly sought-after location. It is well connected with multiple tube and railway stations within 500m (i.e. 5 mins by foot), namely Liverpool Street Station, Moorgate Station and Bank Station, which provide transportation access to nearby leading corporations across the finance, professional services, and tech sectors, including Black Rock, Lloyds Bank, Legal & General, Clifford Chance, Salesforce, and Apple.

a) FINANCIAL INFORMATION OF PROP CO

Prop Co is the holding company of the sole asset / property, Winchester House. The Winchester House asset value is £257 million (RM1,392 million), supported by an independent valuation report by Knight Frank London conducted in March 2023.

b) INFORMATION ON VENDOR

The Vendor, Wessex Winchester Limited Partnership, is an English limited partnership registered in England and Wales under number LP015211 whose registered office is at 8th Floor, 1 Fleet Place, London EC4M 7RA, England, United Kingdom. Its controlling owner is Wessex Winchester GP Limited, a private limited company registered in England and Wales under number 08242492 whose registered office is the same as the vendor's. The directors of Wessex Winchester GP Limited are Robert William Johnston and Rory Fraser Morrison.

Detailed structure of the Prop Co post Proposed Acquisition is per Appendix 1.

5. BASIS AND JUSTIFICATION OF THE PURCHASE CONSIDERATION

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis, taking into account market values of comparable assets. The total acquisition cost of £257 million (RM1,392 million), or £809 per sq ft (RM4,383 per sq ft), is deemed a fair entry cost in London office market.

a) SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:

Purchase consideration

The following table outlines the purchase consideration and payment terms for the 100% equity interest held by VB II in the Prop Co:

	Exchange of contract	**Completion**	**Final Payment**	
	27 March 2023	*By 25 May 2023*	*By 2 March 2025*	
£ million				**Total**
Total Payments	**20**	**149**	**88**	**257**
Equity	20	-	49	69
Debt	-	149	39	188
Gamuda's equity portion (75%)	**15**	**-**	**37**	**52**
Sources of funds on Gamuda's portion				
Equity	-	-	-	-
Borrowings	15	-	37	52

Gamuda's financial outlay for the Proposed Acquisition is £15 million (RM81 million) (with the remaining £5 million (RM27 million) to be paid by Castleforge) upon signing the SPA ("**Exchange of Contract**"). Completion Payment will be funded via debt secured by VB II, whereas Final Payment will only be due by 2 March 2025.

The Final Payment shall be secured by a bank guarantee and corporate guarantee ("**Guarantees**") provided by Gamuda to the Vendor. The Vendor has undertaken to bear the bank guarantee fee, and Gamuda will also receive a separate fee payable by VB II for providing the corporate guarantee. The Guarantees provided by Gamuda will be disclosed in Gamuda's FY23 audited financial statements.

There are no conditions precedent under the SPA. The Buyer shall provide 15 business days' notice to the Vendor prior to intention to complete.

6. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITION

As per Section 5, Gamuda's outlay for the 75% equity interest in the Prop Co via VB II amounting to £52 million (approx. RM282 million based on FX of RM : GBP = 5.4172), will be funded via foreign denominated bank borrowings in its entirety.

7. LIABILITIES TO BE ASSUMED

Saved as disclosed in Section 5 above, there are no other liabilities including contingent liabilities and Guarantees to be assumed by Gamuda pursuant to the Proposed Acquisition.

8. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

This Proposed Acquisition is part of Gamuda Land's QTP, which focuses on building a pipeline of high IRR assets with investment horizons of 5 years or less. The target IRR return of the Proposed Acquisition is above 20%, to be achieved over a 5-year investment period. It complements Gamuda's core strength in township developments.

The proposed asset is in a prime location surrounded by amenities and stands to benefit from the improved connectivity afforded by the Elizabeth line (Crossrail). Currently, the demand for Grade A office buildings with high environmental, social, and governance (ESG) standards is substantially outpacing supply. The excess demand for Grade A ESG buildings thus commands premium rental rates and are attractive to large multinational tenants with strong ESG mandates, which is further exacerbated with supply side restrictions due to policy requirements by the city of London for all commercial buildings to have a minimum energy performance certificate (EPC) rating of C by 2027 and rating of B by 2030.

These factors would result in the expected high return on equity investment upon disposal of the asset, within the 5-year investment period.

In line with Gamuda's Green Plan (GGP) 2025, which focuses on committing to circular construction and reducing greenhouse gas emissions, the target ESG certifications for Winchester House post refurbishment further strengthens the Group's learning and roll-out of similar initiatives across all our other developments internationally.

9. PROSPECTS

With the strong demand for top-class ESG buildings, coupled with the acute lack of supply, Gamuda is expected to double its equity investment from this asset upon disposal within 5-years, and thus demonstrate strong returns on investment and maximise shareholder value.

Acquiring Winchester House presents a strategic opportunity for Gamuda as we substantially expand our property development footprint to the BREEAM Outstanding rated properties, which are few and far between in London. It is a compelling site in a highly sought-after location as this commercial office project is situated in the heart of the City of London, the square mile that is the financial centre of the world and increasingly a mega-technology hub of the world too. It also is less than 5-mins walk from the game-changer Crossrail infrastructure now named the Elizabeth Line, i.e. Liverpool Street station linking east and west of Greater London in a matter of only tens of minutes.

The business model is simple, which is to: Acquire – Develop – Market – Monetise. The plan is to refurbish the existing building to BREEAM Outstanding level (top ESG rating), adding a few floors from the current 8 to 11, increasing the floor space by 50% to approximately half a million square feet and ensuring the best modern office specifications / features and thereafter to secure a top tenant seeking the best commercial property in the City of London, preferably under pre-lease agreements and finally to sell the building to core long-term investors, seeking top quality rental yields. We expect a resultant strong exit value yielding a commensurately high return on our equity investment.

10. RISK FACTORS

The key risks in relation to the Proposed Acquisition are as follows:-

a. Planning Approvals
The scheme for the proposed development is required to undergo the formal process of obtaining planning approval from the City of London ("**CoL**").

   To expedite the process, a pre-application meeting was held with CoL prior to the date of acquisition as part of the due diligence conducted. CoL has shown preliminary support of the proposed scheme.

b. Operations
A prolonged inflationary environment may impact cost estimates and the projected returns of the project.

   Notwithstanding that Gamuda has benchmarked construction costs with independent cost estimates as part of due diligence, further inflation and contingency buffers were also budgeted as part of the total construction costs allocation for the proposed development.

c. Leasing
Notwithstanding the resilient demand for Grade A office buildings with high ESG credentials, the volatile economic environment and change of work trends as a result of COVID may impact leasing assumptions.

   As part of the leasing strategy, the intent is to secure a pre-lease on part of the building with early engagement with interested tenants already underway. Pre-leasing of similar quality products have been robust and successful due to high demand and limited supply in the City of London.

11. EFFECTS OF THE PROPOSED ACQUISITION

a) SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING

As the Proposed Acquisition does not involve any issuance of new ordinary shares of Gamuda Berhad, there will be no impact on the issued share capital of Gamuda Berhad and substantial shareholders' shareholdings.

b) NET ASSETS ("NA") PER SHARE AND GEARING

For illustration purposes, based on the latest audited consolidated financial statement of Gamuda as at 31 July 2022, on the assumption that the Proposed Acquisition had been affected on that date, the pro forma effect of the Proposed Acquisition on the audited consolidated NA per share and gearing of Gamuda are as follows: -

RM'000	Audited as at 31 July 2022	After subsequent events up to Completion
Ordinary Shares	3,723,167	3,723,167
Other Reserves	353,841	353,841
Retained Earnings	5,827,960	5,827,960
Equity Attributable to the owners of the Company	9,904,968	9,904,968
Total Equity	10,254,412	10,346,504
No. of Shares in Issue ('000)	2,553,931	2,553,931
NA per share (RM)	3.8783	3.8783
Total Borrowing (RM '000)	4,975,064	6,275,192
Cash Equivalents (RM'000)	3,777,025	3,777,025
Net Gearing (times)	0.12x	0.24x

**Based on 24 March 2023 closing rate from BNM website: 1GBP = RM5.4172*

c) EARNINGS AND EARNINGS PER SHARE ("EPS")

The Proposed Acquisition is not expected to have a material impact on the Group's earnings and EPS for the FYE 31 July 2023.

The Proposed Acquisition and the refurbishment scheme of Winchester House are expected to contribute positively to the future earnings of the Group.

12. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of shareholders of Gamuda and/or any regulatory authority.

13. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

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

14. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of Gamuda, after having considered all aspects of the Proposed Acquisition is of the opinion that the Proposed Acquisition is in the interests of Gamuda and in line with Gamuda Land's 5-year strategic growth plan towards increasing IRR via the QTP strategy.

15. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Chapter 10.02 (g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 10.54%, calculated based on the aggregate value of consideration in relation to the Proposed Acquisition, compared with net assets of the Company based on the audited financial statements for the financial year ended 31 July 2022.

16. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Acquisition is expected to be completed by May 2023.

17. DOCUMENTS FOR INSPECTION

The SPA and the independent valuation report are available for inspection at the registered office of Gamuda from Monday to Friday (except public holidays) during normal business hours for a period of three (3) weeks from the date of this announcement.

This announcement is dated 27 March 2023.

Appendix 1

Target to be acquired by Gamuda-Castleforge partnership structure as indicated in the dotted box below.