GAMUDA

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

Reference is made to the announcement made by Gamuda Berhad [Co. Regn. No. 197601003632 (29579-T)] ("Gamuda" or "Company") on 27 March 2023 **("Announcement")**.

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board of Directors of Gamuda is pleased to provide the following additional information.

Section 2:

Question

In respect of the partnership between Gamuda and Castleforge i.e., Venta Belgarum II Limited Partnership (VB II), to further state the terms of the partnership as to the obligation of each party as well as the terms of cost and profit sharing.

Response

Gamuda and Castleforge are partners in the Venta Belgarum II Limited Partnership (VB II). As per the terms of the partnership, both parties are investing partners and have agreed to make capital contributions on 75/25 split. Additionally, both partners shall share the costs and profits of the partnership in proportion to their respective contributions as stated above.

Section 3(a):

Question

Castleforge Partners Limited ("Castleforge")

To name the directors/individual partners and substantial shareholders and their respective shareholdings/ ownerships (in percentage).

Response:

Directors of Castleforge

(i) Michael Bela Kovacs
(ii) Julian Ezra Feldman
(iii) Adam Scott Macleod

Substantial Shareholders of Castleforge

Castleforge is 100% owned by Castleforge LLP, of which the partners are:

(i) Michael Bela Kovacs
(ii) Julian Ezra Feldman
(iii) Adam Scott Macleod

Each of the partners above are equal voting partners in Castleforge LLP.

Section 4:

(a) **Question**

To provide further information on Winchester House and details of intended development as per Part C of Appendix 10A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (where applicable).

Response

The site is an existing 8-storey office space located at 1 Great Winchester Street, London ('the asset'). The asset sits on three freehold titles with a combined land size of 1.5 acres. The approximate age of the building is 29 years and has 317,000 sq ft of office space.

The asset is fully occupied and is currently solely-tenanted by Deutsche Bank AG ('the tenant') as the bank's London headquarters since 7 October 1998 with an expiry on 30 April 2024 (the tenant has an option to renew for a further term expiring no later than 30 October 2024). The annual rental income derived from the tenant is £14.6 million p.a until 30 September 2023 and with a step-up to £15 million p.a onwards until lease expiry.

The asset value of £257 million (RM1,392 million) is supported by an independent valuation report by Knight Frank London conducted in March 2023. Propco's net book value as of FY22 was estimated at £238 million. Kindly note that the financial statements of PropCo are unaudited, but form part of the audited consolidated accounts of Wessex Winchester Limited Partnership. The asset will be made free from encumbrances by the vendor upon the completion date of the acquisition.

The development intent is to refurbish the existing asset, develop additional floor space and upgrade the building's ESG credential to best-in-class rankings, with construction commencement targeted in 2024 with practical completion by end 2026. The development / refurbishment cost has yet to be finalised pending planning approval of City of London on the schematics and building plan.

(b) **Question**

To name the directors of Propco and Wessex Winchester Limited Partnership (Vendor).

Response

Directors of Propco (Wessex Winchester PropCo Limited): Alexander Taft, Kierra Lisle and Jessica Stuart.

Vendor does not have directors as it is a limited partnership and acts by its general partner, Wessex Winchester GP Limited. The directors of Wessex Winchester GP Limited are Robert Johnston and Rory Morrison.

(c) **Question**

The percentage of controlling ownership that Wessex Winchester GP Limited ("WWGPL") held in Vendor. In the event the Vendor is not 100% owned by WWGPL, to state the name(s) of other partners(s) and their respective ownership(s) in Vendor (in percentage).

Response

As with all English law limited partnerships, the Vendor acts by its general partner, WWGPL, pursuant to the terms of its limited partnership agreement. WWGPL does not hold a partnership interest in the Vendor but exercises control of the Vendor in its capacity as the general partner.

(d) **Question:**
Name(s) of shareholder(s) and their respective shareholding(s) in WWGPL.

Response

WWGPL has a single owner i.e. Invesco Investments (Bermuda) Limited.

Section 5(a):

Question

To provide further salient terms under the SPA including but not limited to events of default and termination clauses.

Response

(i) **Seller:** Wessex Winchester Limited Partnership (acting by its general partner Wessex Winchester GP Limited)
Buyer: Venta Belgarum II GP Limited

(ii) **Purchase Price**

Consideration: £257m

(iii) **Sale & Purchase**

Sale of 100% of the issued share capital in Wessex Winchester Propco Limited (the "Target").Completion will occur by no later than 25 May 2023 provided that the Buyer can elect to complete earlier than 25 May 2023 by providing 15 business days prior written notice to the Seller provided further that Completion may not occur prior to 25 April 2023.

(iv) **Termination**

In addition to the usual mutual termination rights for failure to comply with their applicable obligations at completion the Buyer has the following termination rights if in the period between the date of the SPA and completion: a) material damage occurs in respect to the Property, or b) Buyer is made aware that there is breach of fundamental warranties which relates to Seller's ownership of the issued share capital in the Target, the capacity to sell such shares in the Target and/ or if the freehold title of the Property is not legally and beneficially owned solely by the Target.

(v) **Default interest**

Interest at a rate of 3% per annum above the base rate from time to time of Barclays Bank Plc, shall apply on either party defaulting on its respective payment obligations under the SPA

Section 8:

Question

To state the basis of the target IRR return of 20%.

Response

Target IRR returns of above 20% is based on estimated timings of Gamuda's equity outlays (i.e. cash outflows) for the investment and refurbishment/redevelopment as well as proceeds received (ie cash inflows). This includes: -

1) equity payment of £15 million upon exchange, with the remaining equity payment of £37 million to be made by March 2025, assuming Gamuda retains the initial 75% stake throughout for prudential reasons;

2) estimated costs in relation to refurbishment/redevelopment and interest expenses, which has included for high cost-inflation and ample cost contingencies for prudential reasons;

3) exit is estimated to be beyond the 5th year, which incorporates additional time buffers as well as an estimated exit capitalisation rate which is approximately 50 – 75bps higher than comparable exit capitalisation rates for similar asset classes with similar BREEAM ratings, for prudential reasons.

Section 10:

Question

To also state the interest rate and foreign exchange risk in respect of the foreign denominated borrowings and its mitigating factor.

Response

Interest Rate & Foreign Exchange Risk

The project debt funding is based on floating interest rates (based on SONIA). Whilst the funding is subject to the risk of increasing SONIA rates, the current market expectation is for rates to stabilize in the short to medium term and even decline in the longer term, within the investment horizon.

With respect to foreign exchange risk, there is a natural hedge in place since the project debt funding and the asset are both denominated in GBP. Gamuda will regularly review our borrowing strategy to ensure that our debt obligations are structured in a manner that balances our interest rate and foreign exchange risk exposures with our financial objectives.

Section 11(b):

Question

To provide foot notes to explain on the increments of the amount under Total Equity and Total Borrowings after taking into consideration of subsequent events up to Completion.

Response

Increments under Total Equity

Note 1: Increase in total equity represents a 25% equity contribution from non-controlling partner, Castleforge, amounting to £GBP17mn (RM92mn).

Increments under Total Borrowings

Note 2: Increase in total borrowings of GBP240mn (RM1.3bn) is represented by:

- JV-level borrowings of GBP188mn undertaken to fund the purchase consideration, which will be will be fully accounted for in Gamuda's financial statement given Gamuda owning majority stake in Prop Co;

- GBP52mn being Gamuda's equity contribution, which will be funded via bank borrowings.

This announcement is dated 30 March 2023.