

PROPOSED ACQUISITION OF A 9.1 ACRES MIXED-USE PLOT OF LAND IN A PRIME LOCATION OF THU DUC CITY, HO CHI MINH CITY IN VIETNAM (“PROJECT LAND”) AS PART OF GAMUDA BERHAD GROUP’S EXPANSION PLAN IN VIETNAM (“PROPOSED ACQUISITION”)

1. INTRODUCTION

The Board of Directors (“**Board**”) of Gamuda Berhad [Co. Regn. No. 197601003632 (29575-T)] (“**Gamuda**” or “**Company**”) wishes to announce that its property arm, Gamuda Land via the following three wholly owned foreign sub-subsidiaries in Vietnam have entered into a Share Transfer Agreement with Mr. Nguyen Hong Giang, Mr. Nguyen Van Viet and Ms. Dang Thi Dung (the individuals are collectively referred to as the “**Vendor**”) (“**Share Transfer Agreement**”) on 20 July 2023 to acquire 100% equity interest in Tam Luc Real Estate Corporation (Enterprise Registration No. 0314020818) (“**Project Company**”), the project company which solely owns the Project Land:

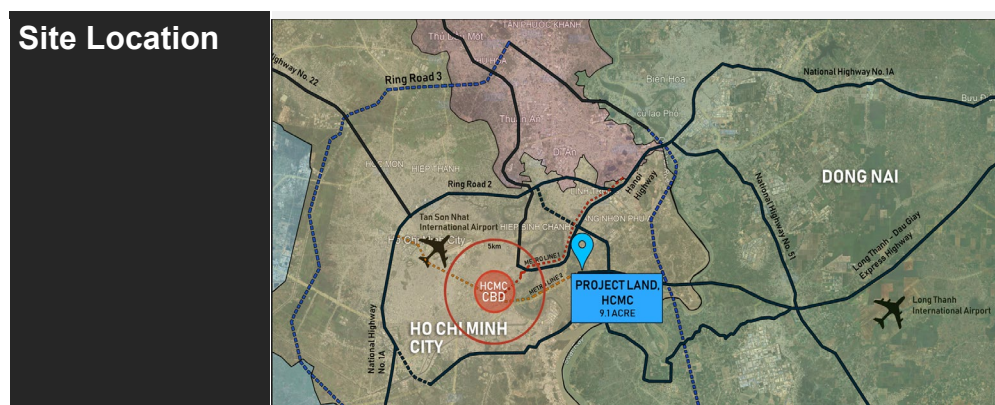
- (a) Van Lam Investment Limited Company [Enterprise Registration Certificate (“**ERC**”) No. 0317898689] (“**Van Lam**”);
- (b) Truong Tin Construction and Housing Trading Company Limited [ERC No. 0302628009] (“**Truong Tin Construction**”);
- (c) Gamuda Land Nam Viet Investment Company Limited [ERC No. 0317270005] (“**GL Nam Viet**”);

[collectively “**GL Subsidiaries**” or “**Purchaser**”].

The Project Land is a shovel-ready mixed-use high-rise project site with all requisite planning approvals obtained that is ready for immediate development. It is strategically situated in Thu Duc City which has been gazetted as the Innovation Hub of Ho Chi Minh City. This project will enable Gamuda Land to continue its strong trajectory of profitable growth in Vietnam.

2. DETAILS OF PROPOSED ACQUISITION

(a) Project Land



Site Location (cont'd)	<p>The Project Land is located in Thu Duc City, a newly-formed secondary city within Greater Ho Chi Minh City. In respect to Ho Chi Minh City, the site is just 6.5 kilometres from the existing Central Business District, with direct access to Hanoi Highway and An Phu Intersection, the gateway to North-south Expressway that connects Ho Chi Minh City and Hanoi. The upcoming completion of Metro Line 1 in the fourth quarter of 2023 will further enhance connectivity, providing direct access to the Central Business District, which is highly desirable for both commercial and residential purposes, catering to the needs of a rapidly growing urban population.</p> <p>The Project Land is also located less than 1 kilometre away from the Long Thanh – Dau Giay Expressway, which serves as a crucial link connecting Ho Chi Minh City to major industrial zones, including the renowned Saigon Hi-Tech Park. This industrial park is home to prominent companies such as Intel, Samsung and Jabil, making the Project Land an ideal choice for businesses looking to establish a presence in the region and benefit from the proximity to these industrial hubs.</p>
Size	9.1 acres
Title	Freehold tenure for residential purpose and 50 years leasehold for commercial purpose with Land-Use-Rights Certificate obtained
Land Use	Residential and commercial purpose
Existing Use	Vacant land
Market Value	VND7,296 billion (equivalent to approximately USD320 million or RM1.49 billion) - valued by Cushman & Wakefield using the residual and direct comparison method
Purchase Price	VND7,200 billion (equivalent to approximately USD315.8 million or RM1.47 billion)
Proposed Development	<p>The Construction permit has been approved for the following products:</p> <ul style="list-style-type: none"> • 1,968 exclusive apartments, • 12 penthouses, • 51 podium shops, and • 21 shophouses.

(b) Project Company

Shareholders of Project Company prior to Proposed Acquisition	50% Nguyen Hong Giang 46% Nguyen Van Viet 4% Dang Thi Dung
Charter Capital	VND900 billion (equivalent to approximately RM185 million)
Principal activity	Property development, construction and manufacturing
Current General Director/ Board member	Dang Thi Dung
Financial Information of Project Company	The Project Company is the holding company of the sole asset which is the Project Land. The Project Land value is VND7,200 billion and is supported by an independent valuation report by Cushman and Wakefield conducted on 12 May 2023
Corporate Structure Post Acquisition	<p>Upon completion of the Proposed Acquisition, the shareholdings of GL Subsidiaries in the Project Company shall be as follows:</p> <ul style="list-style-type: none">98% GL Nam Viet1% Truong Tin Construction1% Van Lam <pre>graph TD; A[Gamuda Land Nam Viet Investment Company Limited (98%)] --> D[Tam Luc Real Estate Corporation ('Project Company')]; B[Van Lam Investment Limited Company (1%)] --> D; C[Truong Tin Construction And Housing Trading Company Limited (1%)] --> D; D --> E[Project Land];</pre> <ul style="list-style-type: none">● GL Nam Viet:<ul style="list-style-type: none">Date of Incorporation : 27 April 2022Principal activities : Consulting, brokerage, real estate auction, land use right auctionCharter capital : VND2 billion (equivalent to approximately RM0.4 million)

**Corporate
Structure Post
Acquisition
(cont'd)**

Board of Directors : Liew Bing Fooi
Ownership : 100% held by Gamuda Land Binh Duong (ERC No. 0317270005), another foreign sub-subsidiary of Gamuda in Vietnam

• **Truong Tin Construction:**

Date of Incorporation : 13 November 2008

Principal activities : Trading of own or rented property and land use rights

Charter capital : VND626.2 billion (equivalent to approximately RM128 million)

Board of Directors : Liew Bing Fooi

Ownership : 100% held by GL Nam Viet

• **Van Lam:**

Date of Incorporation : 22 June 2023

Principal activities : Trading of own or rented property and land use rights

Charter capital : VND80 billion (equivalent to approximately RM16 million)

Board of Directors : Liew Bing Fooi

Ownership : 100% held by GL Nam Viet

(c) Salient Terms of the Share Transfer Agreement

(i) Payment of Purchase Price

The Purchase Price of VND7,200 billion (approximately USD315.8 million or RM1.47 billion) shall be paid as follows: -

- VND1,000 billion (approximately USD43.9 million or RM205 million) (“**Deposit**”) upon the execution of the Share Transfer Agreement provided that the Vendor has obtained the approval of the Economic Concentration Approval (“**ECN**”) for the transfer of the shares in the Project Company to GL Subsidiaries; and

- the balance of the Purchase Price of VND6,200 billion (approximately USD271.9 million or RM1.27 billion) shall be paid to the Vendor upon the fulfilment of all conditions precedent.

As at the date of the signing of the Share Transfer Agreement the ECN approval has been obtained.

(ii) Key Conditions Precedent

- The Vendor is required to obtain the written confirmation from the tax authorities confirming that there are no outstanding tax liabilities by the Project Company;
- The ERC of the Project Company shall be amended to reflect GL Subsidiaries' 100% ownership of the Project Company; and
- The charter capital of the Project Company shall have been increased to VND3,900 billion.

Unless agreed by the Purchaser, the last date for the fulfilment of the Conditions Precedent is on 10 September 2023.

(iii) Termination of Share Transfer Agreement

In the event the Share Transfer Agreement is terminated by the Vendor due to the Purchaser's breach of the terms in the Share Transfer Agreement, the Deposit shall be forfeited to the Vendor. All other sums (if any) deposited or paid towards payment of the Purchase Price shall be refunded to the Purchaser.

In the event the Share Transfer Agreement is terminated by the Purchaser due to the Vendor's breach of the terms in the Share Transfer Agreement, the Vendor shall refund to the Purchaser the Deposit together with a penalty equivalent to the amount of the Deposit.

In the event the Agreement is mutually terminated, the Purchaser and the Vendor shall mutually agree on the consequences of the termination.

(d) Liabilities to be Assumed

There are no liabilities to be assumed by GL Subsidiaries arising from the Proposed Acquisition.

3. BASIS AND JUSTIFICATION FOR THE PURCHASE PRICE

The Purchase Price of VND7,200 billion (equivalent to approximately USD315.8 million or RM1.47 billion) was arrived at on a willing-buyer-willing-seller basis, taking into consideration the valuation of the Project Land conducted by Cushman & Wakefield on 12 May 2023, which valued the Project Land at VND7,296 billion (equivalent to approximately USD320 million or RM1.49 billion).

4. RATIONALE OF PROPOSED ACQUISITION

The Project Land is located within a prime location of Thu Duc City which is very well-connected to multiple arterial roads that lead to the Central Business District (“**CBD**”) in 15 minutes. Thu Duc City is a rapidly developing area with a growing population of 1.2 million. With Thu Duc City accounting for a substantial 30% of Ho Chi Minh City’s Gross Regional Domestic Product (“**GRDP**”), or 7% of Vietnam’s Gross Domestic Product (“**GDP**”), investing in this location presents an opportunity for Gamuda Land to tap into a thriving economic landscape.

Thu Duc City is one of the regions with the highest urbanization rates in Vietnam (over 83%), and the Proposed Acquisition allows Gamuda Land to match the increasing demand for properties in the area. Based on data from Vietnam’s Government Statistics Office (“**GSO**”), in 2022, Thu Duc City boasted an impressive GRDP per capita of USD18,022, surpassing the national average of USD4,193.

The Proposed Acquisition is part of Gamuda Land’s Quick-Turnaround-Projects (“**QTP**”) strategy, which focuses on generating a continuous pipeline of high-Internal Rate of Return assets with investment horizons of 5 years or less, which complements Gamuda Land’s core strength in township developments. Gamuda Land anticipates that the limited supply in the surrounding area, combined with enhanced design concepts, will contribute to further improvement in returns.

Vietnam continues to be a key market for Gamuda Land given that the country has achieved a respectable average 6% growth per annum over the last two decades and is poised to be one of the fastest-growing economies across the emerging and developing Asia region with GDP growth projections of 5.8% - 6.9% for 2023 and 2024 respectively based on the International Monetary Fund (“**IMF**”) forecast in May 2023. This is driven primarily by the country’s strategic positioning as a manufacturing and export hub, with Ho Chi Minh City commanding the lion’s share of 12.7% (USD56.7 billion) of total foreign direct investment.

The Proposed Acquisition is also in line with Gamuda Land’s emphasis on international projects in its portfolio, which accounted for two-thirds of its property sales in FY2022. This strategy has seen the Group through the challenging economic outlook of recent quarters, providing stable lines of revenue amid weaker sentiment and currency fluctuations in the domestic market.

5. PROSPECTS OF PROPOSED ACQUISITION

Acquiring the Project Land in Thu Duc City holds promising prospects due to the following reasons:

(a) Limited Residential Supply

Prime land bank sites are very limited, especially in central districts where Ho Chi Minh City’s authorities have imposed restrictions on high-rise residential development for the 2021-2030 period. There has been a steady decrease in primary supply between the year 2018 and 2022, which results in pent-up demand. The Proposed Acquisition presents a rare opportunity for Gamuda Land to access these prime sites and provide a unique sales proposition to potential buyers with significantly de-risked legal and planning approvals.

The target positioning for the Proposed Development would be in the high-end category which is defined by Savills as properties with a selling price of USD4,000-7,000 per square meter (“psm”). New properties within this category have recorded stable absorption rates of over 75% across the past 5 years. Gamuda Land also anticipates that there will be no foreseeable comparable high-end supply to the Proposed Acquisition in the market upon its initial launch. Majority of the supply is expected to be located within the neighbouring Thu Thiem and dominated by the upper high-end segment priced upwards of USD7,000 psm.

(b) Excellent Connectivity

The Project Land is situated next to Thu Thiem (the new CBD) and benefits greatly from this new commercial-residential hub. It has excellent connectivity to the existing CBD with direct frontage and access to a major highway and a short drive to Hanoi Highway. Metro Line 1, which connects directly to the existing CBD is completing in 4Q 2023 and will further enhance the connectivity to the site.

(c) Prime Location with Surrounding Amenities

The Project Land is well-serviced with international schools and shopping centres within a 1.5 kilometre radius of the site. The upcoming wellness-centric developments such as the 524-acre Rach Chiec Sport & Wellness Centre and the 158-acre Saigon Sports City by Keppel Land are expected to have a catalytic effect on the area. Moreover, the strategic location adjacent to the affluent Thu Thiem and Thao Dien Ward adds to its promising prospects.

(d) Unique Sales Proposition

The development offers an unobstructed canal-frontage view with pristine green area. Other than pedestrian and cyclist-friendly roads, there will be a boardwalk along the canal, allowing visitors to get close to nature in the middle of the city.

6. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITION

The source of funding for the Proposed Acquisition of VND7,200 billion (approximately USD315.8 million based on FX of USD : VND = 22,800 or RM1.47 billion based on FX of MYR : VND = 4,885) shall be satisfied in full via a combination of internally generated funds (42%) and borrowings (58%).

7. RISK OF PROPOSED ACQUISITION

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

(a) Planning and Vietnam Government Approvals

There is no risk of the Project Land being revoked/forfeited by the Vietnam Government since the Land Use Rights Certificate (“LURC”) has been issued in 28 October 2022 on freehold residential and 50-year leasehold commercial titles basis, whilst the land use fee has also been paid in full and all legal approvals including the planning approval and construction permit have been obtained. This allows commencement of construction within a year after the Proposed Acquisition, enabling a fast development timeline of five years.

The approval of the ECN and ERC is generally considered a procedural requirement, hence the risk is minimal. Additionally, both approvals serve as Conditions Precedent to the Proposed Acquisition.

(b) Sales and concentration risk

Recent international and local market volatility has impacted the overall economy, including the real estate sector.

As part of the sales strategy, Gamuda Land has set competitive pricing for the apartment units, taking into consideration the prevailing asking prices in the current secondary market. In terms of other product components, these have been priced moderately or at a discount to comparable offerings in the market. Projections further suggest that no new high-end projects will enter the area where the Project Land is situated, within the next two years, which means there will be limited supply and fewer competitions in the market.

(c) Construction cost escalation

The cost of construction materials in Vietnam has escalated in recent years due to global supply chain disruptions.

As part of due diligence, Gamuda Land has benchmarked construction costs against peak rates in the past five years. Further inflation and contingency buffers were also budgeted as part of the total construction costs allocation for the proposed development.

(d) Interest rate & foreign exchange risk

The project debt funding is based on floating rates (based on Secured Overnight Financing Rate or SOFR). Whilst the funding is subject to risk of increasing SOFR 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.

In addition, the Group would be exposed to fluctuations in the foreign exchange movements. To mitigate such risks, the Group regularly reviews its borrowing strategy for its international operations to ensure that debt obligations are structured in a manner that balances interest rate and foreign exchange risk exposures with our financial objectives.

8. FINANCIAL EFFECTS OF PROPOSED ACQUISITION

(a) Share capital and shareholdings of substantial shareholders

The Proposed Acquisition will not have any effect on the total issued paid-up share capital and substantial shareholders' shareholdings of Gamuda as the Proposed Acquisition does not involve any issuance of Gamuda shares.

(b) Net Assets (“NA”) and NA Per Share

The Proposed Acquisition has no effect on the NA and NA per share of the Group.

(c) Earnings and earnings per share

With a gross development value of USD1.1 billion (RM5.1 billion), the Proposed Acquisition is set to contribute to the earnings of the Gamuda Group over the next five years.

(d) Gearing

This acquisition would slightly lift Gamuda’s overall gearing to 19%, well below the self-imposed gearing limit of 70%.

	Before the Proposed Acquisition	After the Proposed Acquisition
Gearing ratio*	5%	19%

**computed based on latest published financial as at 30 April 2023*

9. PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, based on the latest audited consolidated financial statements of Gamuda for the financial year ended 31 July 2022 is 14.88%.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Acquisition which involves a Share Transfer is expected to be completed by the third quarter of 2023.

11. APPROVALS REQUIRED

The Proposed Acquisition is not subject to approval from the shareholders of the Company.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

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

The valuer, Cushman & Wakefield engaged for the Proposed Acquisition is also an independent party.

13. DIRECTORS’ STATEMENT

The Board, after having considered all aspects of the Proposed Acquisition, is of the opinion that it is in the best interest of the Gamuda Group.

14. DOCUMENTS FOR INSPECTION

The Share Transfer Agreement and the valuation report are available for inspection at the registered office of Gamuda at Menara Gamuda, D-16-01, Block D, PJ Trade Centre, No. 8, Jalan PJU 8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of one (1) month from the date of this announcement.

This announcement is dated 20 July 2023.