

**THIS CIRCULAR TO THE SHAREHOLDERS OF ISKANDAR WATERFRONT CITY BERHAD (“IWCITY” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the next course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular (including the valuation certificate as set out in Appendix I of this Circular), makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**ISKANDAR WATERFRONT CITY BERHAD**  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO:-**

**PART A**

**PROPOSED DISPOSAL OF A PIECE OF FREEHOLD VACANT LAND BY SUCCESS STRAITS SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY) TO KNUSFORD RESOURCES SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF KNUSFORD BERHAD (“KB”)) FOR A CASH CONSIDERATION OF RM53.24 MILLION (“DISPOSAL CONSIDERATION”) (“PROPOSED DISPOSAL”) AND SETTLEMENT OF DEBT OWING BY THE COMPANY AND ITS SUBSIDIARIES TO KB AND ITS SUBSIDIARIES AMOUNTING TO RM50.76 MILLION BY WAY OF SET-OFF AGAINST THE DISPOSAL CONSIDERATION (“SETTLEMENT”)**

**PART B**

**INDEPENDENT ADVICE LETTER FROM BDO CAPITAL CONSULTANTS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED DISPOSAL AND SETTLEMENT**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*



**MERCURY SECURITIES SDN BHD**

Registration No. 198401000672 (113193-W)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Independent Adviser*



**BDO CAPITAL CONSULTANTS SDN BHD**

Registration No. 199601032957 (405309-T)  
(Incorporated in Malaysia)

The Extraordinary General Meeting of the Company (“EGM”) will be held on a fully virtual basis through live streaming and online remote voting via the online meeting platform at <https://web.vote2u.my> on 16 November 2022, Wednesday at 11.00 a.m. The Notice of EGM together with the Form of Proxy are enclosed with this Circular can also be downloaded from the Company’s website at [www.iwcity.com.my](http://www.iwcity.com.my) or Bursa Malaysia’s website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

If you decide to appoint a proxy or proxies for the EGM, you must complete, sign and return the Form of Proxy and deposit it at the Registered Office of the Company at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim or lodge it electronically via email to [ir@iwcity.com.my](mailto:ir@iwcity.com.my) on or before the time and date indicated below or at any adjournment thereof if you are not able to attend the EGM. The completion and lodging of the Form of Proxy shall not preclude you from attending and voting at the virtual EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

Last day, date and time for lodging the Proxy Form for the EGM : 14 November 2022, Monday at 11.00 a.m.

Day, date and time of the EGM : 16 November 2022, Wednesday at 11.00 a.m.

This Circular is dated 31 October 2022

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

<b>BDOCC or Independent Adviser</b>	: BDO Capital Consultants Sdn Bhd, being the independent adviser appointed to advise the non-interested Directors and non-interested Shareholders in relation to the Proposed Disposal and Settlement
<b>Board</b>	: Board of Directors of the Company
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad
<b>Circular</b>	: This circular to Shareholders in relation to the Proposed Disposal and Settlement
<b>COVID-19</b>	: Coronavirus disease 2019
<b>Differential Amount</b>	: The difference between the Disposal Consideration and the Settlement Sum amounting to RM2.48 million
<b>Directors</b>	: Directors of the Company
<b>Disposal Consideration</b>	: Cash consideration of RM53.24 million pursuant to the Proposed Disposal
<b>EGM</b>	: Extraordinary General Meeting
<b>EPS</b>	: Earnings per share
<b>FPE</b>	: Financial period ended
<b>FYE</b>	: Financial year ended
<b>IAL</b>	: Independent advice letter from BDOCC to the non-interested Shareholders in relation to the Proposed Disposal and Settlement as set out in Part B of this Circular
<b>IWCity or Company</b>	: Iskandar Waterfront City Berhad
<b>IWCity Group or Group</b>	: IWCity and its subsidiaries
<b>KB</b>	: Knusford Berhad
<b>KB Group</b>	: KB and its subsidiaries
<b>km</b>	: Kilometres
<b>Knusford Resources or Purchaser</b>	: Knusford Resources Sdn Bhd, a wholly-owned subsidiary of KB
<b>Listing Requirements</b>	: Main Market Listing Requirements of Bursa Securities
<b>LPD</b>	: 30 September 2022, being the latest practicable date prior to printing of this Circular
<b>Mercury Securities or Principal Adviser</b>	: Mercury Securities Sdn Bhd
<b>NA</b>	: Net assets

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**DEFINITIONS (CONT'D)**

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<b>Proposed Disposal</b>	:	Proposed disposal of the Subject Property by SSSB to Knusford Resources for the Disposal Consideration
<b>psf</b>	:	Per square feet
<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively
<b>Settlement</b>	:	Settlement of the Settlement Sum by way of set-off against the Disposal Consideration
<b>Settlement Agreement</b>	:	Conditional settlement agreement dated 22 July 2022 between IWCity and KB in relation to the Settlement
<b>Settlement Sum</b>	:	A sum due and payable by the IWCity Group to the KB Group amounting to RM50.76 million as at 31 March 2022
<b>Shareholders</b>	:	Shareholders of the Company
<b>SPA</b>	:	Conditional sale and purchase agreement dated 22 July 2022 between SSSB and Knusford Resources in relation to the Proposed Disposal
<b>sq ft</b>	:	square feet
<b>SSSB or Vendor</b>	:	Success Straits Sdn Bhd, a wholly-owned subsidiary of IWCity
<b>Subject Property</b>	:	A piece of freehold vacant land held under Geran Hakmilik No. 90571, Lot No. 726, Mukim of Pulai, District of Johor Bahru, State of Johor measuring 5.581 acres
<b>Valuer</b>	:	Raine & Horne International Zaki + Partners Sdn Bhd

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated. Any discrepancies in the tables between amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding. “RM” and “sen” refer to Ringgit Malaysia and sen respectively.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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## EXECUTIVE SUMMARY

*This Executive Summary highlights only the salient information of the Proposed Disposal and Settlement. Shareholders are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Disposal and Settlement before voting at the forthcoming EGM.*

<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
<b>Summary of the Proposed Disposal and Settlement</b>	<p>On 22 July 2022, Mercury Securities had, on behalf of the Board, announced the following:-</p> <p>(i) SSSB had on even date entered into the SPA with Knusford Resources in relation to the Proposed Disposal; and</p> <p>(ii) IWCity had on even date entered into the Settlement Agreement with KB in relation to the Settlement.</p> <p>Pursuant to the SPA, SSSB has agreed to sell and Knusford Resources has agreed to purchase the Subject Property on the basis, amongst others, that it is zoned for commercial use, for the Disposal Consideration of RM53.24 million.</p>	Section 2
<b>Rationale for the Proposed Disposal and Settlement</b>	<p>The Proposed Disposal and Settlement represents an opportunity for the Group to unlock the value of the Subject Property at a fair price. In addition, the Group views the Proposed Disposal and Settlement as reasonable after taking into the consideration the marketability of the Subject Property and the difficulty of seeking alternate buyer(s) for the Subject Property in view of the current challenging economic conditions.</p> <p>Further, the Proposed Disposal and Settlement is in line with the Group's intention to focus its resources on existing ongoing projects.</p> <p>Additionally, the Settlement would enable the Group to partially settle the debts owing to KB Group without incurring cash outflow, thus preserving the Group's cash reserves for its existing ongoing projects.</p>	Section 3
<b>Risk factors in relation to the Proposed Disposal and Settlement</b>	<p>The Shareholders should consider the following risk factors before approving the Proposed Disposal and Settlement:-</p> <p>(a) there is no assurance that the Proposed Disposal and Settlement can be completed within the time period permitted under the SPA; and</p> <p>(b) the Group would no longer be able to enjoy any potential appreciation in the market value the Subject Property in the future and the Group would no longer be able to derive the future economic benefits arising from developing the Subject Property.</p>	Section 4
<b>Approvals required and conditionality</b>	<p>The Proposed Disposal and Settlement are subject to approvals being obtained from the following:-</p> <p>(i) the non-interested Shareholders at the forthcoming EGM; and</p> <p>(ii) any other relevant authorities or parties, if required.</p> <p>The SPA and the Settlement Agreement are inter-conditional.</p> <p>Save for the above, the Proposed Disposal and Settlement is not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.</p>	Section 6

**EXECUTIVE SUMMARY (CONT'D)**

<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
<b>Interests of Directors, major shareholders and/or persons connected to them</b>	<p>Save as disclosed below, none of the Directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Disposal and Settlement:-</p> <ul style="list-style-type: none"><li>(i) Tan Sri Dato' Lim Kang Hoo ("TSDLKH") is the Executive Vice Chairman of IWCity and a major shareholder of both IWCity and KB;</li><li>(ii) Lim Chen Heng, the son of TSDLKH, is an Executive Director of both IWCity and KB and a shareholder in IWCity;</li><li>(iii) Datuk Lim Keng Guan, the nephew of TSDLKH, is an Executive Director of IWCity and a shareholder in KB by virtue of his shareholdings in Lim Seong Hai Holdings Sdn Bhd;</li><li>(iv) Lim Foo Seng is an Independent Non-Executive Director of both IWCity and KB; and</li><li>(v) Bernard Hillary Lawrence is an Independent Non-Executive Director of IWCity and a Senior Independent Non-Executive Director of KB.</li></ul> <p>The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in relation to the Proposed Disposal and Settlement. The Interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Disposal and Settlement at the forthcoming EGM.</p> <p>Further, the Interested Directors will also ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Disposal and Settlement at the forthcoming EGM.</p>	Section 7
<b>Directors' statement and recommendation</b>	<p>The Board (save for the Interested Directors), having considered all aspects of the Proposed Disposal and Settlement, including the salient terms of the SPA and Settlement Agreement, the basis and justification for the Disposal Consideration as well as the rationale and benefits of the Proposed Disposal and Settlement, is of the opinion that the Proposed Disposal and Settlement is:-</p> <ul style="list-style-type: none"><li>(i) in the best interest of the Company;</li><li>(ii) fair, reasonable and on normal commercial terms; and</li><li>(iii) not detrimental to the interest of the non-interested Shareholders.</li></ul> <p>Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Disposal and Settlement to be tabled at the forthcoming EGM.</p>	Section 9

**PART A**

**LETTER TO SHAREHOLDERS IN RELATION TO  
THE PROPOSED DISPOSAL AND SETTLEMENT**



**ISKANDAR WATERFRONT CITY BERHAD**  
(Incorporated in Malaysia)

**Registered office:**

Suite 1301  
13th Floor, City Plaza  
Jalan Tebrau  
80300 Johor Bahru  
Johor Darul Takzim

31 October 2022

**Board of Directors**

Dato' Hj. Ayub bin Mion (Independent Non-Executive Chairman)  
Tan Sri Dato' Lim Kang Hoo (Executive Vice Chairman)  
Datuk Lim Keng Guan (Executive Director)  
Lim Chen Heng (Executive Director)  
Tuan Hj. Lukman bin Abu Jari @ Abu Bakar (Non-Independent Non-Executive Director)  
Lim Foo Seng (Independent Non-Executive Director)  
Bernard Hilary Lawrence (Independent Non-Executive Director)  
Kang Hui Ling (Independent Non-Executive Director)

**To: The Shareholders of IWCity**

Dear Sir / Madam,

**PROPOSED DISPOSAL AND SETTLEMENT**

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**1. INTRODUCTION**

On 22 July 2022, Mercury Securities had, on behalf of the Board, announced the following:-

- (i) SSSB had on even date entered into the SPA with Knusford Resources in relation to the Proposed Disposal; and
- (ii) IWCity had on even date entered into the Settlement Agreement with KB in relation to the Settlement.

The Proposed Disposal and Settlement is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of IWCity as set out in Section 7, Part A of this Circular. Accordingly, BDOCC was appointed as the Independent Adviser for the Proposed Disposal and Settlement.

**THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND SETTLEMENT AND TO SET OUT THE VIEWS AND RECOMMENDATIONS OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AND SETTLEMENT WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.**

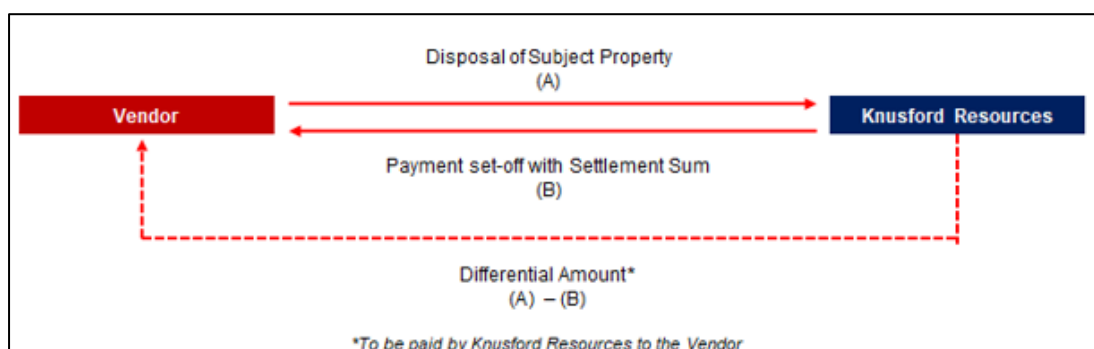


**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND PART B CONSISTING OF THE IAL BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AND SETTLEMENT TO BE TABLED AT THE FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSED DISPOSAL AND SETTLEMENT**

Pursuant to the SPA, SSSB has agreed to sell and Knusford Resources has agreed to purchase the Subject Property on the basis, amongst others, that it is zoned for commercial use, for the Disposal Consideration of RM53.24 million to be satisfied in the manner as set out in Section 2.4 of this Circular.

The structure of the Proposed Disposal and Settlement is depicted in the diagram below:-



Please refer to Appendix II of this Circular for the salient terms of the SPA.

### **2.1 Information on the Subject Property**

The Subject Property is located within Kampung Tanjung Danga on the western part of Johor Bahru next to Lebuhraya Sultan Iskandar (which is also known as the Iskandar Coastal Highway), which is located approximately 13 km to the west of Johor Bahru city centre.

It is presently accessible from Johor Bahru city center via Skudai Highway before exiting onto Lebuhraya Sultan Iskandar and finally exiting to Jalan Sungai Temon Asli Danga. Sungai Danga is located to the immediate north of the Subject Property. The Johor – Singapore Causeway that links the city of Johor Bahru across the Straits of Johor to Woodlands in Singapore is located approximately 12 km due south-east of the Subject Property.

Commercial retail or shopping malls located nearby include Perling Mall, Tesco Bukit Indah, Aeon Bukit Indah, Giant Nusa Bestari and Giant Hypermarket Tampoi are all within 7 km from the Subject Property. The nearest residential areas such as Taman Laguna, Laguna Heights, Taman Baiduri, Taman D'Utama, Bandar Baru Uda, Perling Heights and Danga View Resort Apartments are also all located within 8 km from the Subject Property.

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The location of the Subject Property is depicted in the map below:-



Further details of the Subject Property are as follows:-

<b>Identification</b>	Geran Hakmilik No. 90571, Lot No. 726, Mukim of Pulau, District of Johor Bahru, State of Johor
<b>Registered owner</b>	SSSB
<b>Titled land area</b>	5.581 acres
<b>Category of land use</b>	Nil (to be converted to commercial)
<b>Existing use</b>	Vacant
<b>Express conditions</b>	Nil
<b>Restriction of interest</b>	Nil
<b>Tenure</b>	Freehold
<b>Encumbrances</b>	Nil
<b>Audited net book value</b>	RM52,892,113.00
<b>Valuer</b>	Raine & Horne International Zaki + Partners Sdn Bhd
<b>Method of valuation</b>	Comparison Approach
<b>Market value</b>	RM53,240,000.00
<b>Material date of valuation</b>	22 July 2022

## 2.2 Information on the Settlement

The Settlement entails the settlement of the Settlement Sum by way of set-off against the Disposal Consideration.

The KB Group has been undertaking construction works for development projects undertaken by the Group as well as providing other services to the Group since 2015. As at the 31 March 2022, a total amount of RM50.76 million, being the Settlement Sum, is due and payable by the Group to the KB Group for such construction works and services provided.

A breakdown of the Settlement Sum is set out below:-

	<b>RM</b>
Total amount due from Botanika Project <sup>(1)</sup>	31,436,111.55
Total amount due from Danga Sutera Project <sup>(2)</sup>	15,709,956.34
Total amount due from Infra Project <sup>(3)</sup>	340,647.09
Total amount due from Renting of Office and Apartment <sup>(4)</sup>	46,500.00
Amount deemed owing by IWCity Group to KB Group from the revocation and cancellation of the transfer of 4 identified properties <sup>(5)</sup>	3,391,360.40
Minus: Amount Due From KB Group to IWCity Group <sup>(6)</sup>	(160,000.00)
<b>Settlement Sum</b>	<b><u>50,764,575.38</u></b>

Notes:-

- (1) On 1 June 2020, Bayou Bay Development Sdn. Bhd. ("**Bayou Bay Development**") had, vide issuance of a letter of award, appointed Knusford Construction Sdn Bhd ("**Knusford Construction**"), a wholly-owned subsidiary of KB, as a main contractor to undertake the main building and related infrastructure works of Tower B, Phase 1B of the 3 towers of 23 storeys high residential development known as the 'Botanika', erected on all that parcel of land held under H.S.(D) 421925, PTD 192018, Mukim of Plentong, District of Johor Bahru, State of Johor ("**Botanika Project**") at a contract sum of RM48.34 million. As at 31 March 2022, there was an outstanding sum of RM30.34 million being due and payable by Bayou Bay Development to Knusford Construction.

Bayou Bay Development had also appointed Greenland Knusford Construction Sdn Bhd ("**GKCSB**") and Hong Xin Construction Sdn Bhd ("**HXCSB**") as main contractors to undertake certain landscape works for the Botanika Project. Both GKCSB and HXCSB have subsequently appointed Knusford Landscape Sdn Bhd ("**Knusford Landscape**"), a wholly-owned subsidiary of KB, as their sub-contractor to undertake the said landscape works. On 6 July 2020 and 8 July 2020, Bayou Bay Development had terminated its contractual relationship with HXCSB and GKCSB respectively and it was agreed that any outstanding sum payable by HXCSB and GKCSB respectively to Knusford Landscape shall be paid directly by Bayou Bay Development. As at 31 March 2022, there was an outstanding sum of RM1.099 million being due and payable by Bayou Bay Development to Knusford Landscape.

Further to the above, as at 31 March 2022, the total outstanding amount due by Bayou Bay Development to KB Group for the above is RM31.44 million.

- (2) On 24 November 2016 and 28 May 2019 respectively, Bayou Management Sdn Bhd ("**Bayou Management**"), a wholly-owned indirect subsidiary of IWCity, had vide issuance of letters of award, appointed Knusford Landscape for the provision of landscape architectural consultancy services and to undertake the construction and completion of certain landscaping works in respect of the construction of the 2-storey terrace houses in a mixed residential development known as the 'Danga Sutera', erected on all those parcels of land held under Lot 2476, Lot 2734 and Lot 18647, Mukim of Pulai, Daerah of Johor Bahru, State of Johor ("**Danga Sutera Project**"), at an aggregate contract sum of RM5.21 million. As at 31 March 2022, there was an outstanding sum of RM0.95 million being due and payable by Bayou Management to Knusford Landscape.

On 9 February 2018, 26 June 2018 and 13 November 2018 respectively, Bayou Management had vide issuance of letters of award, appointed Knusford Construction to undertake certain construction works for the Danga Sutera Project, at an aggregate contract sum of RM144.64 million. As at 31 March 2022, there was an outstanding sum of RM14.76 million being due and payable by Bayou Management to Knusford Construction.

As at 31 March 2022, the total outstanding amount due by Bayou Management to KB Group for the above is RM15.71 million.

- (3) On 15 October 2015, Tebrau Bay Sdn Bhd ("**Tebrau Bay**"), a wholly-owned subsidiary of IWCity, had vide issuance of a letter of award, appointed Knusford Construction as a main contractor to undertake the construction and completion of infrastructure works for a mixed housing and commercial development, erected on all parcel of land held under Lot PTD 194794 (Phase 1) in Johor Bahru ("**Infra Project**") at a contract sum of RM19.19 million.

As at 31 March 2022, the total outstanding amount due by Tebrau Bay to Knusford Construction for the above is RM0.34 million.

- (4) KB Group had rented office premises and apartment to IWCity Group ("**Renting of Office and Apartment**"). As at 31 March 2022, the total outstanding amount due by the IWCity Group to the KB Group for the above is RM0.04 million.

- (5) On 3 June 2021, Bayou Management (as transferor) and Knusford Equipment Sdn Bhd ("**Knusford Equipment**") (as transferee) had entered into 6 sale and purchase agreements for the purpose of transferring 6 double storey terrace houses in the Danga Sutera Project, for a total purchase consideration of RM5.01 million. The said purchase consideration was satisfied by way of set-off against part of an aggregate outstanding sum due and payable by IWCity Group to KB Group as at 31 March 2021.

As at 31 March 2022, only the transfer of 2 of the 6 double storey terrace houses have been completed, whilst the transfer of the remaining 4 double storey terrace houses at an aggregate agreed value of RM3.16 million have been revoked and cancelled. Accordingly, an aggregate sum of RM3.39 million (inclusive of the administrative fee arising from such revocation and cancellation) is due and payable by Bayou Management to Knusford Equipment.

- (6) Tebrau Bay Constructions Sdn Bhd ("**Tebrau Bay Constructions**"), a wholly-owned subsidiary of IWCity, had disposed of a motor vehicle to Knusford Construction in which the disposal consideration of RM0.16 million remains due and payable ("**Amount Due From KB Group to IWCity Group**") as at 31 March 2022.

Please refer to Appendix III for the salient terms of the Settlement Agreement.

## **2.3 Information of Knusford Resources**

### **2.3.1 Incorporation and business activities**

Knusford Resources was incorporated in Malaysia on 23 December 2013 as a private limited company under the Companies Act, 1965 and is deemed registered under the Companies Act, 2016.

Knusford Resources is principally involved in trading of other construction materials and equipment.

### **2.3.2 Share capital**

As at the LPD, Knusford Resources has a total issued and paid-up share capital of RM300,000, comprising 200,000 ordinary shares and 100,000 preference shares.

### **2.3.3 Directors**

As at the LPD, the Directors of Knusford Resources are Lim Chen Heng, Lim Chen Thai, Mohd Salleh Bin Othman, Mohd Hanaffiah Bin Talib and Tengku Mohamed Syamil Bin Tengku Mahamud @ TG Mahmood.

### **2.3.4 Shareholder**

Knusford Resources is a wholly-owned subsidiary of KB, a company whose entire issued share capital is listed on the Main Market of Bursa Securities.

## 2.4 Mode of settlement

Pursuant to the terms of SPA, the Disposal Consideration will be satisfied in the following manner:-

Payment terms	Timing of settlement	Payment amount RM
Settlement of the Settlement Sum by way of set-off against the Disposal Consideration	Within 14 days from the fulfilment of the conditions precedent of the SPA	50,764,575.38
Differential Amount <sup>(1)</sup>	Within 14 days from the fulfilment of the conditions precedent of the SPA	2,475,424.62
<b>Total</b>		<b>53,240,000.00</b>

### Note:-

(1) For information, the Disposal Consideration has been arrived at on the basis that the Subject Property shall be converted to commercial use ("**Conversion**") at SSSB's cost and expense, of which an independent consultant jointly appointed by SSSB and Knusford Resources prior to the date of the SPA, has determined and fixed at a sum of RM247,598.00 ("**Conversion Cost**").

In this regard, a sum equivalent to the Conversion Cost shall be carved out from the Differential Amount and retained by Knusford Resources to secure the performance of SSSB in respect of the Conversion.

Pursuant to the above and assuming there is no Adjustment (as defined in Appendix II of this Circular), the amount to be paid in cash by Knusford Resources to SSSB on the completion date of the SPA shall be RM2.23 million, being the Differential Amount less the Conversion Cost.

## 2.5 Date and original cost of investment

The original cost of investment of the Subject Property is RM52.89 million incurred on 3 March 2017.

## 2.6 Liabilities which remain with and guarantees given by SSSB and IWCity

There are no liabilities (including contingent liabilities) in relation to the Proposed Disposal and Settlement which remain with SSSB and IWCity Group and there are no guarantees given by SSSB and IWCity Group to the Purchaser pursuant to the Proposed Disposal and Settlement.

## 2.7 Utilisation of proceeds from the Proposed Disposal and Settlement

The Disposal Consideration of RM53.24 million will be used to off-set the Settlement Sum of RM50.76 million and the balance of RM2.48 million (i.e. the Differential Amount) will be used for the Group's working capital purposes<sup>(1)</sup>, estimated expenses in relation to the Proposed Disposal and Settlement<sup>(2)</sup> and to pay the Conversion Cost.

### Notes:-

(1) This will be used to finance the Group's day-to-day operations including, amongst others, payment of staff salaries, administrative expenses, contractors' costs and external consultants' costs. The actual funding breakdown and timeframe for full utilisation of the proceeds cannot be determined at this juncture as it will depend on, amongst others, the working capital requirements of the Group at the relevant time.

(2) These include advisory fees payable to the Principal Adviser, Valuer and Independent Adviser as well as other professional fees payable to the company secretary, share registrar and solicitors in relation to the Proposed Disposal and Settlement, fees to

relevant authorities, printing, despatch and advertising expenses and other miscellaneous expenses and contingencies.

## **2.8 Basis and justification for the Disposal Consideration**

The Disposal Consideration of RM53.24 million was arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the following:-

- (i) the market value of the Subject Property of RM53.24 million as appraised by the Valuer via its valuation report dated 22 July 2022 ("**Valuation Report**");
- (ii) the estimated net gain on disposal of RM0.10 million to be derived from the Proposed Disposal and Settlement; and
- (iii) the rationale and benefits of the Proposed Disposal and Settlement as set out in Section 3 of this Circular.

## **3. RATIONALE AND BENEFITS OF THE PROPOSED DISPOSAL AND SETTLEMENT**

The Proposed Disposal and Settlement represents an opportunity for the Group to unlock the value of the Subject Property at a fair price. In addition, the Group views the Proposed Disposal and Settlement as reasonable after taking into the consideration the marketability of the Subject Property and the difficulty of seeking alternate buyer(s) for the Subject Property in view of the current challenging economic conditions.

Further, the Proposed Disposal and Settlement is in line with the Group's intention to focus its resources on existing ongoing projects.

Additionally, the Settlement would enable the Group to partially settle the debts owing to KB Group without incurring cash outflow, thus preserving the Group's cash reserves for its existing ongoing projects.

For information, out of all the vacant lands owned by the Group, the Subject Property was selected to be disposed as it is one of the few vacant lands owned by the Group that is free from any encumbrances and is readily available for disposal without requiring substantial additional costs to be incurred such as site preparation costs, earthwork and/or reclamation costs.

As at the LPD, there is a retention sum amounting to RM2.4 million which was held by Bayou Bay Development in relation to the Botanika Project for the building works to be carried out<sup>(1)</sup>. This retention sum does not form part of the Settlement Sum and shall remain payable by IWCity Group to KB Group upon completion of the Proposed Disposal and Settlement. As at LPD, apart from the retention sum and the Settlement Sum, there shall be no further amounts payable or owing by IWCity Group to KB Group after completion of the Proposed Disposal and Settlement. The Company plans to settle the retention sum through internally generated funds.

Note:-

- (1) The retention sum shall be partially released upon the completion of the main building works where the Contract Certificate of Practical Completion has been obtained by an external consultant and remaining half of the retention sum shall be released after the issuance of Contract Final Certificate by an external consultant after the defects liability period of twenty four months.

#### **4. RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL AND SETTLEMENT**

Save as disclosed below, the Board believes that the Proposed Disposal and Settlement will not result in a material change in the risk profile of the Group:-

##### **4.1 Non-completion risk**

The completion of the Proposed Disposal and Settlement is conditional upon the fulfilment of the conditions precedent under the SPA as set out in Appendix II of this Circular. There is no assurance that the Proposed Disposal and Settlement can be completed within the time period permitted under the SPA. In the event that the conditions precedent is not obtained within the stipulated time period, the SPA may be terminated and the Proposed Disposal and Settlement will not proceed.

Nevertheless, IWCity and KB shall endeavour to fulfil all its obligations and proactively engage with third parties to obtain all the necessary documents required for the completion of the Proposed Disposal and Settlement within the timeframe stipulated in the SPA. However, should there be any delay beyond the agreed timeframe, IWCity shall endeavour to negotiate with KB to mutually extend the timeframe prior to its expiry.

##### **4.2 Loss of opportunity**

Upon completion of the Proposed Disposal and Settlement, the Group would no longer be able to enjoy any potential appreciation in the market value of the Subject Property in the future. In addition, the Group would no longer be able to derive the future economic benefits arising from developing the Subject Property.

Nevertheless, as set out in Section 3 of this Circular, the Proposed Disposal and Settlement is in line with the Group's intention to focus its resources on existing ongoing projects. In addition, the Settlement would allow the Group to settle debts without incurring cash outflow, thus preserving the Group's cash reserves for its existing ongoing projects. In turn, these are expected to contribute positively to the future earnings of the Group.

#### **5. EFFECTS OF THE PROPOSED DISPOSAL AND SETTLEMENT**

##### **5.1 Issued share capital and substantial shareholders' shareholdings**

The Proposed Disposal and Settlement will not have any effect on the issued share capital and substantial shareholders' shareholdings of IWCity as it does not involve any issuance of new shares.

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## 5.2 NA, NA per share and gearing

For illustrative purposes, assuming the Proposed Disposal and Settlement had been effected at the end of the FYE 31 December 2021, the pro forma effects of the Proposed Disposal and Settlement on the NA, NA per share and gearing of the Group are as follows:-

	Audited as at 31 December 2021 (RM'000)	After the Proposed Disposal and Settlement (RM'000)
Share capital	766,884	766,884
Retained earnings	10,149	9,975
<b>Total equity / NA</b>	<b>777,033</b>	<b>776,859</b>
No. of shares in issue ('000)	921,128	921,128
NA per share (RM)	0.84	0.84
Total borrowings, including lease liabilities (RM'000)	169,351	169,351
Gearing (times)	0.22	0.22

## 5.3 Earnings and EPS

For illustrative purposes, assuming the Proposed Disposal and Settlement had been effected at the beginning of the latest audited FYE 31 December 2021, the pro forma effects of the Proposed Disposal and Settlement on the consolidated earnings and EPS of IWCity are as follows:-

	Amount (RM'000)	EPS <sup>(1)</sup> (sen)
Loss after taxation attributable to owners of the Company for the FYE 31 December 2021	(27,929)	(3.13)
Add : One-off pro forma gain before taxation arising from the Proposed Disposal and Settlement	100	0.01
Less : Estimated expenses in respect of the Proposed Disposal and Settlement	(250)	(0.03)
Less : Tax on disposal	(24)	(2) <sub>-</sub>
<b>Pro forma loss after taxation attributable to owners of the Company for the FYE 31 December 2021</b>	<b>(28,103)</b>	<b>(3.15)</b>

Notes:-

- (1) Computed based on the weighted average number of 921,127,742 shares in IWCity for the FYE 31 December 2021.
- (2) Less than 0.01.

## 5.4 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.



## 6. APPROVALS REQUIRED, CONDITIONALITY AND PERCENTAGE RATIO

### 6.1 Approvals required and conditionality

The Proposed Disposal and Settlement is subject to the approvals being obtained from:-

- (i) the non-interested Shareholders at the forthcoming EGM; and
- (ii) any other relevant authorities or parties, if required.

The SPA and the Settlement Agreement are inter-conditional.

Save for the above, the Proposed Disposal and Settlement is not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

### 6.2 Percentage ratio

The highest percentage ratio applicable to the Proposed Disposal and Settlement pursuant to Paragraph 10.02(g) of the Listing Requirements is 6.85%.

## 7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Disposal and Settlement:-

- (i) TSDLKH, is the Executive Vice Chairman and a major shareholder of IWCity. As at the LPD, he holds 0.60% direct interest and 34.29% indirect interest in IWCity by virtue of his shareholdings in Iskandar Waterfront Holdings Sdn Bhd and Credence Resources Sdn Bhd under Section 8 of the Companies Act 2016. TSDLKH is also a major shareholder of KB. As at the LPD, he holds 0.62% direct interest and 32.53% indirect interest in KB by virtue of his shareholdings in Aman Setegap Sdn Bhd and Kinston Park Sdn Bhd under Section 8 of the Companies Act 2016;
- (ii) Lim Chen Heng is a person connected to the TSDLKH by virtue of him being the son of TSDLKH. He is the Executive Director in both IWCity and KB. As at the LPD, he holds 0.39% direct interest in IWCity and does not hold any equity interest in KB;
- (iii) Datuk Lim Keng Guan is a person connected to the TSDLKH by virtue of him being the nephew of TSDLKH. He is the Executive Director of IWCity. As at the LPD, he does not hold any equity interest in IWCity and holds 2.70% indirect interest in KB by virtue of his shareholdings in Lim Seong Hai Holdings Sdn Bhd;
- (iv) Lim Foo Seng, an Independent Non-Executive Director of IWCity, is also an Independent Non-Executive Director of KB. As at the LPD, he does not hold any equity interest in IWCity nor KB; and
- (v) Bernard Hillary Lawrence, an Independent Non-Executive Director of IWCity, is also a Senior Independent Non-Executive Director of KB. As at the LPD, he does not hold any equity interest in IWCity nor KB.

TSDLKH, Lim Chen Heng, Datuk Lim Keng Guan, Lim Foo Seng and Bernard Hilary Lawrence (collectively referred to as the "**Interested Directors**" or "**Interested Parties**") are deemed interested in the Proposed Disposal and Settlement.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in relation to the Proposed Disposal and Settlement. The Interested Directors will abstain from voting in respect of their direct and/or indirect

shareholdings, if any, on the resolution pertaining to the Proposed Disposal and Settlement at the forthcoming EGM.

Further, the Interested Directors will also ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Disposal and Settlement at the forthcoming EGM.

**8. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS**

Save for the recurrent related party transactions as set out in the circular to shareholders of the Company dated 29 April 2022, there have been no transactions entered into by the Company with the Interested Parties for the 12 months preceding the LPD.

**9. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board (*save for the Interested Directors*), having considered all aspects of the Proposed Disposal and Settlement, including the salient terms of the SPA and Settlement Agreement, the basis and justification for the Disposal Consideration as well as the rationale and benefits of the Proposed Disposal and Settlement, is of the opinion that the Proposed Disposal and Settlement is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested Shareholders.

Accordingly, the Board (*save for the Interested Directors*) recommends that you vote in favour of the resolution pertaining to the Proposed Disposal and Settlement to be tabled at the forthcoming EGM.

**10. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee of the Company, having considered all aspects of the Proposed Disposal and Settlement, including the salient terms of the SPA and Settlement Agreement, the basis and justification for the Disposal Consideration, the views of the Independent Adviser as well as the rationale and prospects in relation to the Proposed Disposal and Settlement, is of the opinion that the Proposed Disposal and Settlement is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders.

**11. INDEPENDENT ADVISER**

The Proposed Disposal and Settlement is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, BDOCC has been appointed as the Independent Adviser in accordance with the Listing Requirements to undertake the following in relation to the Proposed Disposal and Settlement:-

- (i) comment as to:-
  - (a) whether the Proposed Disposal and Settlement is fair and reasonable so far as the non-interested shareholders are concerned; and

- (b) whether the Proposed Disposal and Settlement is to the detriment of the non-interested shareholders,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

- (ii) advise the non-interested shareholders on whether they should vote in favour of the Proposed Disposal and Settlement; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in (i) and (ii) above.

The IAL from BDOCC is set out in Part B of this Circular. You should read the contents of this Circular (including the IAL) carefully before voting on the resolution pertaining to the Proposed Disposal and Settlement to be tabled at the forthcoming EGM.

## 12. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposed Disposal and Settlement is expected to be completed by the 4th quarter of 2022. The tentative timetable for the Proposed Disposal and Settlement is as follows:-

Date	Events
16 November 2022	• EGM for the Proposed Disposal and Settlement
End November 2022	• Completion of the Proposed Disposal and Settlement

## 13. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save for the Proposed Disposal and Settlement, there is no other corporate exercise / scheme which has been announced by the Company but is pending completion before the printing of this Circular.

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#### 14. EGM

The EGM, the notice of which is enclosed with this Circular, will be held on a fully virtual basis through live streaming and online remote voting via the online meeting platform at <https://web.vote2u.my> on the date and time indicated below or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution, with or without any modifications, to give effect to the Proposed Disposal and Settlement.

Day, date and time of the EGM	: 16 November 2022, Wednesday at 11.00 a.m.
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If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the Registered Office of the Company at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim or lodge it electronically via email to [ir@iwcity.com.my](mailto:ir@iwcity.com.my) not less than forty-eight (48) hours before the date and time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll. The lodging of the Form of Proxy will not preclude you from attending and voting at the virtual EGM should you subsequently decide to do so.

Shareholders are advised to refer to the Administrative Notes for the EGM on the registration and voting process for the EGM.

#### 15. FURTHER INFORMATION

We advise you to refer to Part B of this Circular and the attached appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**ISKANDAR WATERFRONT CITY BERHAD**

**DATO' HJ. AYUB BIN MION**  
Independent Non-Executive Chairman

**PART B**

**IAL FROM BDOCC TO THE NON-INTERESTED SHAREHOLDERS OF IWCITY  
IN RELATION TO THE PROPOSED DISPOSAL AND SETTLEMENT**

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## EXECUTIVE SUMMARY

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*Definitions or defined terms used in this Executive Summary shall have the same meanings as defined in the “Definitions” section of the Circular except where the context requires otherwise or as otherwise defined.*

*All references to “we”, “us” and “our” in this executive summary are ascribed to BDOCC, being the Independent Adviser for the Proposed Disposal and Settlement.*

**THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED DISPOSAL AND SETTLEMENT. THE SHAREHOLDERS OF IWCITY ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY, TOGETHER WITH PART A OF THE CIRCULAR AND THE APPENDICES THERETO FOR ANY OTHER RELEVANT INFORMATION, AND ARE NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED DISPOSAL AND SETTLEMENT. YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION RELATING TO THE PROPOSED DISPOSAL AND SETTLEMENT TO BE TABLED AT THE FORTHCOMING EGM.**

**IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

### 1. INTRODUCTION

On 22 July 2022, Mercury Securities had, on behalf of the Board, announced the following:-

- (i) SSSB had on even date entered into the SPA with Knusford Resources in relation to the Proposed Disposal; and
- (ii) IWCity had on even date entered into the Settlement Agreement with KB in relation to the Settlement.

The Proposed Disposal and Settlement is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of IWCity as set out in **Section 7, Part A** of the Circular.

Pursuant to the above, BDOCC was appointed by IWCity on 21 April 2022 as the Independent Adviser to advise the non-interested shareholders of IWCity in relation to the fairness and reasonableness of the Proposed Disposal and Settlement and whether the Proposed Disposal and Settlement is detrimental to the non-interested shareholders of IWCity.

The purpose of this IAL is to provide the non-interested shareholders of IWCity with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and Settlement, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in this IAL.

## EXECUTIVE SUMMARY

The purpose of this IAL is to provide the non-interested shareholders of IWCity with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and Settlement, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in the IAL.

### 2. EVALUATION OF THE PROPOSED DISPOSAL AND SETTLEMENT

In evaluating the Proposed Disposal and Settlement, we have taken into consideration the following:

Section in this IAL	Area of evaluation	Our Evaluation
Section 7	Rationale of the Proposed Disposal and Settlement	Given the property overhang situation in Johor, we are of the opinion that the Proposed Disposal is reasonable as it represents an opportunity for IWCity to unlock value on the Subject Property at a price equivalent to the market Value of the Subject Property. The Proposed Disposal would also enable IWCity Group to realise its investment in the Subject Property which has been vacant and non-revenue generating since the date of its acquisition on 3 March 2017.
Section 8	Basis and justification of the Disposal Consideration	<p>We are of the view that the adopted market value for the valuation of the Subject Property of RM53.24 million or RM219 psf, which was derived based on the adjusted land value of comparable transaction number 5 of the Valuation Report (“<b>Comparable 5</b>”), is fair due to the following:</p> <ul style="list-style-type: none"> <li>(i) The bases and assumptions used by the Valuer in deriving the respective adjusted land values of the comparables are reasonable;</li> <li>(ii) Whilst Comparable 5 is located 12km away from the Subject Property, the selection of this comparable as the best comparable is reasonable as it was transacted in 2022 which is more recent and therefore more reflective of the current market value of the Subject Property. The other 4 comparables were transacted between 2017 to 2020; and</li> <li>(iii) Comparable 5’s adjusted land value of RM219.24 psf is the closest to the previous transacted price of the Subject Property in 2016 of RM209.80 as compared to other 4 comparables’ adjusted land value which ranges from RM269.22 to RM409.49.</li> </ul> <p>We also noted that the Disposal Consideration of RM53.24 million is equivalent to the market value of the Subject Property of RM53.24 million. As such, we are of the view that the Disposal Consideration is fair.</p>
Section 9	Evaluation of the salient terms of the SPA	We are of the view that the salient terms of the SPA are reasonable and not detrimental to the interest of the non-interested shareholders of IWCity.
Section 10	Evaluation of the salient terms of the Settlement Agreement	We are of the view that the salient terms of the Settlement Agreement are reasonable and not detrimental to the interest of the non-interested shareholders of IWCity.

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**EXECUTIVE SUMMARY**


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Section in this IAL	Area of evaluation	Our Evaluation
Section 11	Effects of the Proposed Disposal and Settlement	<p>The effects of the Proposed Disposal and Settlement are as follows:</p> <p>(i) <b><u>Issued share capital and substantial shareholders' shareholdings</u></b></p> <p>The Proposed Disposal and Settlement will not have any effect on the share capital and substantial shareholders' shareholdings of IWCity as the Proposed Disposal and Settlement does not involve any issuance of new IWCity shares.</p> <p>(ii) <b><u>Earnings and EPS</u></b></p> <p>The Proposed Disposal and Settlement is expected to result in a one-off net proforma loss after taxation attributable to owners of IWCity of RM0.174 million, mainly arising from:</p> <ul style="list-style-type: none"> <li>(i) One-off proforma gain before taxation arising from the Proposed Disposal and Settlement amounting to RM0.10 million;</li> <li>(ii) less estimated expenses in respect of the Proposed Disposal and Settlement amounting to RM0.25 million; and</li> <li>(iii) less tax on disposal of the Subject Property amounting to RM0.024 million.</li> </ul> <p>Accordingly, the proforma loss per IWCity Share will increase marginally from RM0.0313 for the FYE 31 December 2021 to RM0.0315 after the completion of the Proposed Disposal and Settlement.</p> <p>(iii) <b><u>NA per share and gearing</u></b></p> <p>The Proposed Disposal and Settlement is not expected to have a material effect on the proforma NA per IWCity Share as the one-off proforma loss arising from the Proposed Disposal of RM0.174 million has minimal impact to IWCity's audited NA as at 31 December 2021 of RM777.03 million.</p> <p>The Proposed Disposal and Settlement will not have any effect on the proforma gearing of IWCity as the net debt owing by IWCity Group to KB Group to be settled pursuant to the Settlement are trade payables and not deemed as borrowings for IWCity Group.</p> <p>Based on the above, the overall effects of the Proposed Disposal and Settlement are not detrimental to the interests of the non-interested shareholders of IWCity.</p>



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**EXECUTIVE SUMMARY**

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Section in this IAL	Area of evaluation	Our Evaluation
Section 12	Industry overview and prospects	<p>We are of the view that the Company’s strategy in unlocking value of its land banks whenever the opportunity arises is reasonable in view of the current overhang of the property market in Johor. This would also allow IWCity to monetise its non-revenue generating land bank.</p> <p>In addition, the Proposed Disposal and Settlement would also enable the Group to utilise its cash balances to be channelled towards its existing ongoing projects instead of repayment of the Settlement Sum.</p> <p>Nevertheless, the future prospects of IWCity Group will still be dependent on factors around the globe, including the outcome of the Ukraine war, continuation of the disruption in global supply chain, global inflationary pressure, rising interest rates and the overall outlook of the property market in Malaysia and Johor.</p>
Section 13	Risk factors associated with the Proposed Disposal and Settlement	<p>In considering the Proposed Disposal and Settlement, the non-interested shareholders of IWCity are advised to give careful consideration to the risk factors as set out in <b>Section 4, Part A</b> of the Circular.</p> <p>We wish to highlight that although measures will be taken by the Board to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operations and financial performance, position or prospects of IWCity Group.</p>

**3. CONCLUSION AND RECOMMENDATION**

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL. Based on this, BDOCC views that the Proposed Disposal and Settlement is **fair** and **reasonable** and is **not detrimental** to the non-interested shareholders of IWCity. Accordingly, we advise and recommend that the non-interested shareholders **vote in favour** of the ordinary resolution pertaining to the Proposed Disposal and Settlement to be tabled at the forthcoming EGM.

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31 October 2022

**To: The non-interested shareholders of Iskandar Waterfront City Berhad**

Dear Sir / Madam,

**ISKANDAR WATERFRONT CITY BERHAD (“IWCITY” OR THE “COMPANY”)**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF IWCITY IN RELATION TO THE PROPOSED DISPOSAL OF A PIECE OF FREEHOLD VACANT LAND BY SUCCESS STRAITS SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY) TO KNUSFORD RESOURCES SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF KNUSFORD BERHAD (“KB”)) FOR A CASH CONSIDERATION OF RM53.24 MILLION (“DISPOSAL CONSIDERATION”) (“PROPOSED DISPOSAL”) AND SETTLEMENT OF DEBT OWING BY THE COMPANY AND ITS SUBSIDIARIES TO KB AND ITS SUBSIDIARIES AMOUNTING TO RM50.76 MILLION BY WAY OF SET-OFF AGAINST THE DISPOSAL CONSIDERATION (“SETTLEMENT”)**

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*This IAL has been prepared to accompany the Circular in relation to the Proposed Disposal and Settlement. Definitions or defined terms used in this IAL shall have the same meanings as defined in the “Definitions” section of the Circular, except where the context requires otherwise or as otherwise defined.*

*All references to “we”, “us” and “our” in this IAL are ascribed to BDOCC, being the Independent Adviser for the Proposed Disposal and Settlement.*

## **1. INTRODUCTION**

On 22 July 2022, Mercury Securities had, on behalf of the Board, announced the following:-

- (i) SSSB had on even date entered into the SPA with Knusford Resources in relation to the Proposed Disposal; and
- (ii) IWCity had on even date entered into the Settlement Agreement with KB in relation to the Settlement.

The Proposed Disposal and Settlement is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of IWCity as set out in **Section 7, Part A** of the Circular.

Pursuant to the above, BDOCC was appointed by IWCity on 21 April 2022 as the Independent Adviser to advise the non-interested shareholders of IWCity in relation to the fairness and reasonableness of the Proposed Disposal and Settlement and whether the Proposed Disposal and Settlement is detrimental to the non-interested shareholders of IWCity.

The purpose of this IAL is to provide the non-interested shareholders of IWCity with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and Settlement, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in this IAL.

**SHAREHOLDERS OF IWCITY ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR, TOGETHER WITH THE ACCOMPANYING APPENDICES, AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AND SETTLEMENT TO BE TABLED AT THE FORTHCOMING EGM OF IWCITY.**



**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**2. INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

The Proposed Disposal and Settlement is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of IWC as set out in **Section 7, Part A** of the Circular.

**3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED DISPOSAL AND SETTLEMENT**

BDOCC was not involved in the formulation of the Proposed Disposal and Settlement and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Disposal and Settlement. BDOCC's terms of reference as an Independent Adviser is limited to expressing an independent evaluation of the Proposed Disposal and Settlement which is based on the information provided to us or which are available to us, including but not limited to the following:

- (i) The information contained in Part A of the Circular and the appendices attached thereto;
- (ii) SPA dated 22 July 2022 entered between SSSB and Knusford Resources in relation to the Proposed Disposal;
- (iii) Settlement Agreement dated 22 July 2022 entered between IWCity and KB in relation to the Settlement;
- (iv) Valuation Report dated 22 July 2022 by the Valuer, Raine & Horne International Zaki + Partners Sdn Bhd, in relation to the valuation of the Subject Property;
- (v) Discussions with and representations by the Board and management of IWCity;
- (vi) Other relevant information, documents, confirmations and representations furnished to us by the Board and management of IWCity; and
- (vii) Other publicly available information which we deemed to be relevant.

We have made such reasonable enquiries to the Board and management of IWCity and have relied upon the information and/or documents as mentioned above as well as the relevant facts and information and/or representations necessary for our evaluation of the Proposed Disposal and Settlement that have been disclosed to us, and that such information is accurate, valid and there is no omission of material facts which would make any information provided to us to be incomplete, misleading or inaccurate. We express no opinion on any such information and have not undertaken any independent investigation into the business and affairs of IWCity Group and all relevant parties involved in the Proposed Disposal and Settlement. Based on the above, we are satisfied with the information and documents provided by IWCity and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL.

In rendering our advice, we had taken note of pertinent issues, which we believe are necessary and important to an assessment of the implications of the Proposed Disposal and Settlement and therefore of general concern to the shareholders of IWCity. As such:

- (i) The scope of BDOCC's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions of the Proposed Disposal and Settlement only. Comments or points of consideration which may be commercially oriented such as the rationale and potential benefits of the Proposed Disposal and Settlement are included in our overall evaluation as we deem it necessary for disclosure purposes to enable the shareholders of IWCity to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Disposal and Settlement;
- (ii) BDOCC's views and advice as contained in this IAL only cater to the shareholders of IWCity at large and not to any shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual shareholder or any specific group of shareholders; and
- (iii) We recommend that any individual shareholder or group of shareholders of IWCity who are in doubt as to the action to be taken or require advice in relation to the Proposed Disposal and Settlement in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, should consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the LPD.

The Board has seen and approved the contents of this IAL. They collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAL (save for the assessment, evaluation and opinion of BDOCC) and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any information in this IAL false or misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by BDOCC in relation to the Proposed Disposal and Settlement as set out in **Section 2, Part A** of the Circular, is to ensure that accurate information in relation to IWCity was provided to BDOCC for its evaluation of the Proposed Disposal and Settlement and to ensure that all information in relation to IWCity that is relevant to BDOCC's evaluation of the Proposed Disposal and Settlement have been completely disclosed to BDOCC and that there is no omission of material facts which would make any information provided to BDOCC false or misleading.

We shall notify the shareholders of IWCity if, after the despatch of this IAL, we become aware of the following:

- (i) significant change affecting the information contained in this IAL;
- (ii) there is a reasonable ground to believe that the statements in this IAL are misleading/deceptive; and
- (iii) there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent to the shareholders of IWCity.



#### **4. DECLARATION OF CONFLICT OF INTEREST**

BDOCC confirms that it is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of BDOCC's appointment as the Independent Adviser in respect of the Proposed Disposal and Settlement.

BDOCC also confirms that it did not have any other professional relationship with IWCity at any time during the past two (2) years prior to the date of this IAL.

#### **5. CREDENTIALS, EXPERIENCE AND EXPERTISE OF BDOCC**

BDOCC is a corporate advisory firm in Malaysia with a corporate finance advisory team which provides an extensive range of services to both the corporate and financial sectors as well as the investment community. The areas of expertise include valuation services, capital market transactions, due diligence works and mergers and acquisitions.

The credentials and experience of BDOCC as an Independent Adviser, where we have been appointed in the past two (2) years prior to the date of this IAL, include the following proposals:

- (i) Appointment by TA Global Berhad as Independent Adviser for the conditional voluntary take-over offer by TA Enterprise Berhad to acquire all the remaining ordinary shares in TA Global Berhad not already held by TA Enterprise Berhad for a consideration of RM0.28 per offer share. Our independent advice circular was issued on 23 November 2020;
- (ii) Appointment by Versatile Creative Berhad as Independent Adviser for the conditional mandatory take-over offer by NSK Trading Sdn Bhd to acquire all the remaining ordinary shares in Versatile Creative Berhad not already held by NSK Trading Sdn Bhd for a cash consideration of RM0.70 per offer share. Our independent advice circular was issued on 21 January 2021;
- (iii) Appointment by Eastern & Oriental Berhad as Independent Adviser for the conditional mandatory take-over offer by Amazing Parade Sdn Bhd to acquire all the remaining ordinary shares in Eastern & Oriental Berhad not already owned by Amazing Parade Sdn Bhd, Datuk Tee Eng Ho, Datin Toh Siew Chuon and Tee Eng Seng and persons acting in concert with them for a cash consideration of RM0.60 per offer share. Our independent advice circular was issued on 26 April 2021;
- (iv) Appointment by MAG Holdings Berhad as Independent Adviser in relation to the proposed acquisition of 100% equity interest of North Cube Sdn Bhd for a purchase consideration of RM200,000,000. Our independent advice letter was issued on 10 June 2021;
- (v) Appointment by Damansara Realty Berhad as Independent Adviser in relation to the proposed disposal of a real property asset to a related party for a total cash consideration of approximately RM38.42 million. Our independent advice letter was issued on 8 July 2021;
- (vi) Appointment by OCR Group Berhad as Independent Adviser in relation to the proposed acquisition of 50% equity interest in Stack Builder Sdn Bhd, proposed acquisition of 100% equity interest in Wonderland Projects Sdn Bhd and proposed settlement by OCR of shareholders' advances owing by Wonderland to the Wonderland Vendors. Our independent advice letter was issued on 2 November 2021;

- (vii) Appointment by MPH Capital Berhad as Independent Adviser in relation to the proposed disposal of 51% equity interest in MPI Generali Insurans Berhad to Generali Asia N.V. for a total cash consideration of RM485.00 million, subject to adjustments. Our Independent advice letter was issued on 28 June 2022; and
- (viii) Appointment by Citaglobal Berhad in relation to the proposed acquisition of 100% equity interest in Citaglobal Engineering Services Sdn Bhd from the vendor for a purchase consideration of RM140,000,000, to be satisfied via issuance of consideration shares. Our Independent advice letter was issued on 21 September 2022.

Premised on the foregoing, BDOCC is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested shareholders of IWCity in relation to the Proposed Disposal and Settlement.

## 6. EVALUATION OF THE PROPOSED DISPOSAL AND SETTLEMENT

In evaluating the Proposed Disposal and Settlement, we have taken into consideration the following factors in forming our opinion:

		<b>Section in this IAL</b>
(i)	Rationale of the Proposal Disposal and Settlement	7
(ii)	Basis and justification of the Disposal Consideration	8
(iii)	Evaluation of the salient terms of the SPA	9
(iv)	Evaluation of the salient terms of the Settlement Agreement	10
(v)	Effects of the Proposed Disposal and Settlement	11
(vi)	Industry overview and prospects	12
(vii)	Risk factors associated with the Proposed Disposal and Settlement	13

## 7. RATIONALE OF THE PROPOSED DISPOSAL AND SETTLEMENT

We take cognisance of the rationale of the Proposed Disposal and Settlement as outlined in **Section 3, Part A** of the Circular.

We noted that the Proposed Disposal and Settlement represents an opportunity for the Group to unlock the value of the Subject Property at a fair price. In addition, the Group views the Proposed Disposal and Settlement as reasonable after taking into the consideration the marketability of the Subject Property and the difficulty of seeking alternate buyer(s) for the Subject Property in view of the current challenging economic conditions.

It is also noted that out of all the vacant lands owned by the Group, the Subject Property was selected to be disposed as it is one of the few vacant lands owned by the Group that is free from any encumbrances and is readily available for disposal without requiring substantial additional costs to be incurred such as site preparation costs, earthwork and/or reclamation costs.

We further noted that the Settlement would enable the Group to partially settle the debts owing to KB Group without incurring cash outflow, thus preserving the Group's cash reserves for its existing ongoing projects.

**Our comments:**

As disclosed in Section 12.2 of this IAL, Johor recorded the highest overhang of properties in Malaysia with 6,040 units worth RM4.73 billion, accounting for 17.7% and 21.8% in volume and value respectively of the national total in the first half of 2022. Given the property overhang situation in Johor, we are of the opinion that the Proposed Disposal is reasonable as it represents an opportunity for IWCity to unlock value on the Subject Property at a price equivalent to the market Value of the Subject Property as further explained in Section 8 of this IAL. The Proposed Disposal would also enable IWCity Group to realise its investment in the Subject Property which has been vacant and non-revenue generating since the date of its acquisition on 3 March 2017.

**Section 2.4, Part A** of the Circular has disclosed that the Settlement would enable the Group to partially settle the debts owing to KB Group amounting to RM50.76 million which are due and payable as at LPD without incurring cash outflow, thus preserving the Group's cash reserves for its existing ongoing projects. As at LPD, we noted that the existing ongoing projects of IWCity Group are as follows:

Project Name	Property Type	Location	Project Commencement Date	Expected Completion Date	Estimated GDV (RM' million)
Botanika	Tower C (264 units of residential apartments)	Bayu Puteri, Johor Bahru	2015	2019	488
	Tower B (264 units of residential apartments)		2016	2022	
	Tower A (264 units of residential apartments) and Town villas (40 units of residential)		Planning stage		
Danga Sutera	Terrace (525 units of Double storey)	Sutera, Johor Bahru	2018	2022	781
	Semi D (Phase 2A – 34 units)		2021	2023	
	Semi D (Phase 2B – 84 units)		Planning stage		
	Bungalow (2 plots of land)		2021	2023	

*(Source: Management of IWCity)*

Based on the above, the Settlement would enable the Group to utilise its cash balance to be channelled towards the abovementioned projects instead of repayment of trade payables owing to KB Group amounting to RM50.76 million.

The Proposed Disposal and Settlement is not expected to result in any material loss of opportunity cost for IWCity Group as the Group has no immediate plans to develop the Subject Property. In addition, there would also be no loss of opportunity cost to IWCity Group in the event that the Subject Property is disposed to a third party at the market value for cash consideration as the trade payables owing to KB Group amounting to RM50.76 million will remain outstanding and payable.

**Based on the above, we are of the view that the rationale of the Proposed Disposal and Settlement is reasonable. Nevertheless, shareholders of IWCity should note that the potential benefits arising from the Proposed Disposal and Settlement are subject to certain risk factors as disclosed in Section 4, Part A of the Circular.**

## 8. BASIS AND JUSTIFICATION OF THE DISPOSAL CONSIDERATION

As set out in **Section 2.8, Part A** of the Circular, the Disposal Consideration of RM53.24 million for the Subject Property was arrived at after taking into consideration amongst others, the following:-

- (a) the market value of the Subject Property of RM53.24 million as appraised by the Valuer via its Valuation Report;
- (b) the estimated net gain on disposal of RM0.10 million to be derived from the Proposed Disposal and Settlement; and
- (c) the rationale and benefits of the Proposed Disposal and Settlement as set out in **Section 3, Part A** of the Circular.

Accordingly, IWCity has appointed the Valuer to undertake the valuation and to appraise the market value of the Subject Property.

We have reviewed the contents of the Valuation Report which was prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents and Property Managers, Malaysia. Accordingly, we are satisfied with the bases and assumptions adopted by the Valuer in arriving at the market value of the Subject Property.

Based on the Valuation Report, the Valuer had highlighted that the Subject Property is currently a parcel of unconverted development land and that the valuation of the Subject Property is on the basis that it has been converted to a commercial development land pursuant to the parties' intention in the SPA.

As disclosed in **Section 2.1, Part A** of the Circular, the details of the Subject Properties are summarised as follows:

Identification	Geran Hakmilik No. 90571, Lot No. 726, Mukim of Pulai, District of Johor Bahru, State of Johor
Registered owner	SSSB
Titled land area	5.581 acres (243,117 sq ft)
Category of land use	Nil (to be converted to commercial)
Existing use	Vacant
Express conditions	Nil
Restriction of interest	Nil
Tenure	Freehold
Encumbrances	Nil
Audited net book value	RM52,892,113.00
Valuer	Raine & Horne International Zaki + Partners Sdn Bhd
Method of valuation	Comparison approach
Market value	RM53,240,000.00
Material date of valuation	22 July 2022

Based on the table above, we noted that the Valuer had adopted only one valuation method in the valuation of the Subject Property which is the comparison approach. The comparison approach is the market approach of comparing the property with similar properties that were transacted recently within either the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, tenure, time element and other relevant factors to arrive at the opinion of value.





Accordingly, the Valuer had adopted the comparison approach as the only method of valuation as there is no planning approval for the Subject Property as at LPD. We noted that the income approach (residual method), income method and cost method was not used by the Valuer as the Subject Property does not have an approved detailed development plan, and as such, the income approach (residual method) will be very much arbitrary due to the high level of sensitivity in respect of the various data inputs that forms the crux of the approach. In view of the above, we are of the view that the comparison approach adopted by the Valuer as the only method in arriving at the market value of the Subject Property is reasonable.

For further information in relation to our analysis on the comparison approach carried out by the Valuer, please refer to Section 8.1 of this IAL.

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### 8.1. Valuation of the Subject Property

In arriving at the market value of the Subject Property, the Valuer has compared the Subject Property with recent and similar comparable transactions and has made adjustments accordingly as summarised below:

	Subject Property	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Title and Lot no.	Geran 90571, Lots 726, Mukim of Pulai, District of Johor Bahru, Johor	HSD 574550, PTD 24599, Town of Johor Bahru, District of Johor Bahru, Johor	HSD 574551, PTD 24600, Town of Johor Bahru, District of Johor Bahru, Johor	HSD 10974, Lot 3081, Town of Johor Bahru, District of Johor Bahru, Johor	HSD 239043, PTD 111517, Mukim of Plentong, District of Johor Bahru, Johor	GRN 56283, Lot 1307, Town of Johor Bahru, District of Johor Bahru, Johor
Locality	Fronting Jalan Sungai Temon Asli, Kampung Tanjung Danga	Located along Persiaran Abu Bakar and approximately 10km south-west of the Subject Property	Located along Persiaran Abu Bakar and approximately 10km south-west of the Subject Property	Located along Jalan Yahya Awal, Johor Bahru and approximately 10km east of the Subject Property	Located along Jalan Suria, Bandar Seri Alam and about 28km north-east of the Subject Property	Located along Jalan Wadihana, Johor Bahru and approximately 12km west of the Subject Property
Property type	A parcel of unconverted development land	A parcel of commercial land	A parcel of commercial land	A parcel of commercial land	A parcel of commercial land	A parcel of commercial land
Land area (sq ft)	243,117	174,431	162,417	205,362	413,614	30,737
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold
Category of land use	To be 'building'	Building	Building	Building	Building	Building
Town planning	Commercial use (plot ratio 4)	Commercial use (plot ratio 12)	Commercial use (plot ratio 12)	Commercial use (plot ratio 10)	Commercial use (plot ratio 4)	Commercial use (plot ratio 8)
Date of transaction	-	01.07.2020	12.12.2019	30.08.2019	19.07.2017	18.04.2022
Consideration (RM)	-	104,648,544	97,447,048	95,000,000	101,000,000	8,606,367
Analysis (RM psf)	-	599.94	599.98	462.60	244.19	280.00



	Subject Property	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
<b>Adjustments:</b> (i) Time		Moderate Movement 5%	Moderate movement 5%	Moderate movement 5%	Moderate movement 5%	No movement 0%
Adjusted value (RM psf)		629.94	629.98	485.73	256.40	280.00
(ii) Location	Jalan Sungai Temon Asli	Comparable is superior -10%	Comparable is superior -10%	Comparable is superior -10%	Comparable is inferior 10%	Comparable is superior -5%
(iii) Size	243,117 sq ft	Smaller than Subject Property -5%	Smaller than Subject Property -5%	Similar than Subject Property 0%	Larger than Subject Property 5%	Smaller than Subject Property -15%
(iv) Tenure	Freehold	Similar tenure 0%	Similar tenure 0%	Similar tenure 0%	Similar tenure 0%	Similar tenure 0%
(v) Terrain	Flat to undulating in terrain	Comparable has flat terrain but is a reclaimed land 0%	Comparable has flat terrain but is a reclaimed land 0%	Comparable has flat terrain -5%	Comparable has flat terrain -5%	Subject Property has better terrain 5%
(vi) Category of land use	To be building title	Building title -5%	Building title -5%	Building title -5%	Building title -5%	Building title -5%
(vii) Town planning	Plot ratio 1:4	Plot ratio 1:12 -5%	Plot ratio 1:12 -5%	Plot ratio 1:10 -3.3%	Similar plot ratio 0%	Plot ratio 1:8 -1.7%
(viii) Sea frontage	No sea frontage	With sea frontage -10%	With sea frontage -10%	No sea frontage 0%	No sea frontage 0%	No sea frontage 0%
Total adjustment (RM psf)		-220.48 -35%	-220.49 -35%	-113.17 -23.3%	12.82 5%	-60.76 -21.7%
<b>Adjusted land value (RM psf)</b>		<b>409.46</b>	<b>409.49</b>	<b>372.55</b>	<b>269.22</b>	<b>219.24</b>

**Comments:**

Based on the above, we noted the following:

- (i) The Valuer has made adjustments to the land value of the comparables for differences in time, location, size, tenure, terrain, category of land use, town planning and sea frontage;
- (ii) The Valuer has selected Comparable 5 as the best comparable on the basis that it is the most recent transaction to the Subject Property as compared to Comparables 1 to 4 and it has the second least net adjustment in land value (ie. -21.7% adjustment) as compared to Comparables 1 to 4; and
- (iii) The Valuer has adopted RM219 psf for the valuation of the Subject Property, which translates to RM53,240,000 (after rounding down from RM53,242,639).

In addition, we also noted that the Subject Property was transacted at a price of RM209.80 psf in 2016 as an unconverted development land zoned for commercial use with no undertaking by the then vendor to convert the land to commercial use. In comparison, the valuation of the Subject Property is on the basis that the Subject Property has been converted to a commercial development land at the Vendor's cost and expense. The Valuer has also opined that the increase in market value of the Subject Property over the previous transacted price of RM209.80 psf is reasonable as the locality of Danga Bay has gone through various urban and infrastructure development since 2016.

We are of the view that the adopted market value for the valuation of the Subject Property of RM53.24 million or RM219 psf, which was derived based on the adjusted land value of Comparable 5, is fair due to the following:

- (i) The bases and assumptions used by the Valuer in deriving the respective adjusted land values of the comparables are reasonable;
- (ii) Whilst Comparable 5 is located 12km away from the Subject Property, the selection of this comparable as the best comparable is reasonable as it was transacted in 2022 which is more recent and therefore more reflective of the current market value of the Subject Property. The other 4 comparables were transacted between 2017 to 2020; and
- (iii) Comparable 5's adjusted land value of RM219.24 psf is the closest to the previous transacted price of the Subject Property in 2016 of RM209.80 as compared to other 4 comparables' adjusted land value which ranges from RM269.22 to RM409.49.

**8.2 Summary**

In arriving at the fairness evaluation of the Proposed Disposal, we have compared the Disposal Consideration against the market value of the Subject Property as appraised by the Valuer as follows:

Details	RM
Disposal Consideration	53,240,000
Market value of the Subject Property as ascribed by the Valuer	53,240,000


Based on the table above, the Disposal Consideration of RM53.24 million is equivalent to the market value of the Subject Property of RM53.24 million.

**As such, we are of the view that the Disposal Consideration is fair.**

Nevertheless, non-interested shareholders should also consider the qualitative factors of the Proposed Disposal and Settlement as set out in the ensuing sections of this IAL to arrive at a holistic view.


## 9. EVALUATION OF THE SALIENT TERMS OF THE SPA

The salient terms of the SPA are disclosed in **Appendix II, Part A** of the Circular. The following sets out only a summary of the material salient terms of the SPA that was considered by us and non-interested shareholders of IWCity are advised to read **Appendix II, Part A** of the Circular in its entirety.

	<b>Salient terms of the SPA</b>	<b>BDOCC's comments</b>
1.	<p><b><u>Conditions precedent</u></b></p> <p>The obligations of SSSB and Knusford Resources that are set out in the SPA are conditional upon the following conditions precedent being obtained and fulfilled within 3 months from the date of the SPA, or such other date as the parties may mutually agree in writing:-</p> <p>(a) SSSB having obtained the approval of the shareholders of IWCity at a general meeting for amongst others (1) the disposal of the Subject Property in favour of Knusford Resources in accordance with the terms and conditions of the SPA; and (2) the Settlement in accordance with the terms and conditions of the Settlement Agreement (if required); and</p> <p>(b) Knusford Resources having obtained the approval of the shareholders of KB at a general meeting to be convened for amongst others (1) the acquisition of the Subject Property by Knusford Resources in accordance with the terms and conditions of the SPA; and (2) the Settlement in accordance with the terms and conditions of the Settlement Agreement.</p>	<p>We are of the view that the 3 months period from the date of SPA or such other date as the parties of the SPA may mutually agree in writing, is reasonable, as IWCity and KB are required to obtain approval from their respective shareholders to complete the Proposed Disposal and Settlement.</p> 
2.	<p><b><u>Manner of payment of Disposal Consideration</u></b></p> <p>SSSB and Knusford Resources agree and acknowledge that the Disposal Consideration shall be satisfied by Knusford Resources on the completion date of the SPA in accordance with the following manner:-</p> <p>(a) A sum equivalent to the Settlement Sum shall be utilised to set-off against the Disposal Consideration and following such set-off arrangement, a sum equivalent to the Settlement Sum shall be deemed paid and settled by Knusford Resources to SSSB towards the Disposal Consideration.</p> <p>(b) A sum equivalent to the Conversion Cost shall be retained by Knusford Resources for the purpose of securing the performance of SSSB in respect of the</p>	<p>This term is reasonable as it is mutually agreed between SSSB and Knusford Resources that the Disposal Consideration will be satisfied through a set-off arrangement equivalent to the Settlement Sum owing by IWCity Group to KB Group.</p> <p>In addition, we noted that there is no deposit required to be paid by Knusford Resources for the Proposed Disposal. We view that this as reasonable as 95% of the Disposal Consideration is to be settled through a set-off arrangement.</p> <p>Please refer to item (4) below for our comments.</p>

	<b>Salient terms of the SPA</b>	<b>BDOCC's comments</b>
	<p>Conversion, and following such retention, a sum equivalent to the Conversion Cost shall be deemed paid and settled by Knusford Resources to SSSB towards the Disposal Consideration.</p> <p>(c) Subject to the Adjustment (as defined below) (if applicable), the remaining balance of the Purchase Consideration, being RM2,227,826.62 (i.e. the difference between (i) the Disposal Consideration; and (ii) the aggregate of the Settlement Sum and the Conversion Cost) ("<b>Balance</b>") shall be paid and settled by Knusford Resources to SSSB entirely in cash on the completion date.</p>	<p>This term is reasonable as the cash settlement to be paid by Knusford Resources to SSSB (ie. RM2.23 million) on the completion date is the remaining balance of the Purchase Consideration after deducting the Settlement Sum of RM50.76 million and Conversion Cost of RM0.25 million which is explained in item (b) above.</p>
3.	<p><b><u>Adjustment of Purchase Consideration</u></b></p> <p>(a) SSSB and Knusford Resources acknowledge that, prior to the date of the SPA, the Valuer has been jointly engaged by IWCity and KB for the purposes of valuing inter alia the market value of the Subject Property.</p> <p>(b) In the event that the assessed market value of the Subject Property shall be varied/adjusted pursuant to any comments provided by the relevant authorities on the valuation certificate, the Purchase Consideration shall be varied/adjusted upwards or downwards accordingly ("<b>Adjustment</b>"). The Purchase Consideration and the Balance to be paid and settled by Knusford Resources to SSSB pursuant to the provisions of the SPA, shall be deemed to be the sum as adjusted in accordance with the provisions of the SPA, provided that the Adjustment shall amount to a sum of more than 1% of the Purchase Consideration.</p> <p>(c) If the Adjustment shall amount to more than 10% of the Purchase Consideration, SSSB and Knusford Resources shall review and endeavor to mutually agree in good faith on a revised Purchase Consideration within 30 days following such variation/adjustment taking effect.</p>	<p>We are of the view that the adjustment mechanism for the Purchase Consideration is reasonable as one of the basis of arriving at the Purchase Consideration agreed between the Vendor and the Purchaser is based on the market value of the Subject Property as appraised by the Valuer.</p> <p>As at LPD, we noted that there is no change to the market value of the Subject Property subsequent to the comments provided by the relevant authorities on the valuation certificate issued by the Valuer in relation to the Proposed Disposal.</p> <p>Nevertheless, non-interested shareholders of IWCity should take note that:</p> <p>(i) In the event that the Adjustment is less than 1% of the Purchase Consideration, there will be no Adjustment made to the Purchase Consideration; and</p> <p>(ii) In the event that the Adjustment is more than 10% of the Purchase Consideration, SSSB and Knusford Resources shall review and endeavor to mutually agree in good faith on a revised Purchase Consideration within 30 days following such variation/adjustment taking effect.</p>

	Salient terms of the SPA	BDOCC's comments
4.	<p><b><u>Conversion</u></b></p> <p>(a) SSSB and Knusford Resources acknowledge and covenant that the Disposal Consideration has been arrived at on the basis that the Subject Property is and shall be converted to commercial use at SSSB's cost and expense, of which an independent consultant jointly appointed by SSSB and Knusford Resources has determined and fixed at a sum of RM247,598.00.</p> <p>(b) SSSB and Knusford Resources agree and acknowledge that:-</p> <p>(i) in no event shall SSSB be liable to pay any costs and expenses or to top-up or pay additional costs and expenses to give effect to the Conversion, even if such costs and expenses shall increase for any reason whatsoever following the completion date of the SPA and Knusford Resources shall solely be responsible for any and all such additional costs and expenses arising from the Conversion; and</p> <p>(ii) any surpluses of the Conversion Cost (if any) retained by Knusford Resources is not refundable and belong wholly and absolutely to Knusford Resources.</p>	<p>We noted that the Conversion Cost is borne by SSSB and a sum equivalent to the Conversion Cost shall be carved out from the Differential Amount and retained by Knusford Resources to secure the performance of SSSB in respect of the Conversion.</p> <p>We noted that the Conversion Cost of RM247,598 is agreed between SSSB and Knusford Resources based on the estimated land conversion cost provided by an independent consultant based on relevant rates and land size of the Subject Property within the locality of the land.</p> <p>We are of the view that this term is reasonable as the maximum land conversion cost payable by SSSB is limited to RM247,598. In the event that the actual land conversion cost exceeds this amount, the excess amount will be borne by Knusford Resources.</p>
5.	<p><b><u>Parties' right to terminate</u></b></p> <p>If on the expiry of cut-off date i.e. 3 months from the date of the SPA, or such other date as the parties may mutually agree in writing, any of the conditions precedent have not been obtained or fulfilled, then either party shall be entitled to terminate SPA by giving a notice of termination to that effect to the other party, and thereafter, the parties shall not have any further rights under SPA except in respect for-</p> <p>(a) any obligation under SPA which is expressed to apply after its termination; and</p> <p>(b) any rights or obligations which have accrued in respect of any breach of any of the provisions of this agreement to either party prior to such termination.</p> <p>If, at any time prior to the completion date of the SPA:-</p> <p>(a) any party commits any material breach of any of its obligations under the SPA which:-</p> <p>(i) is incapable of remedy; or</p> <p>(ii) if capable of remedy, is not remedied within 14 days of it being given notice to do so;</p> <p>(b) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition</p>	<p>This term is reasonable as it allows SSSB or Knusford Resources the right to terminate the SPA in the event any of the conditions precedent have not been obtained or fulfilled within 3 months from the date of the SPA, or such other date as the parties may mutually agree in writing</p> <p>These terms are reasonable as they are common commercial terms in an agreement for transactions that are similar to the Proposed Disposal.</p>



	<b>Salient terms of the SPA</b>	<b>BDOCC's comments</b>
	<p>being served) or an order is made or a resolution is passed for the winding up of a party;</p> <p>(c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of a party;</p> <p>(d) any party becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;</p> <p>(e) any party ceases or threaten to cease or carries on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the SPA); or</p> <p>(f) any of the warranties given by a party is found at any time to be untrue or inconsistent,</p> <p>then any party may, at any time prior to completion of the SPA while any such circumstances subsists, be at liberty to give a notice of termination to the other party for the purpose of terminating the SPA.</p>	
6.	<p><b><u>Termination of the SPA</u></b></p> <p>In the event that the Settlement Agreement is terminated for any reason whatsoever in accordance with its terms, the SPA shall automatically terminate and cease to have any further force or effect, other than the provisions on confidentiality prescribed therein, which shall survive termination.</p>	<p>This term is reasonable as the Settlement Agreement is entered between SSSB and Knusford Resources to facilitate the set-off arrangement of part of the Disposal Consideration against the Settlement Sum. Accordingly, if the Settlement Agreement is terminated, the SPA shall be automatically terminated.</p> <p>We also noted that SSSB would not be able to claim damages or specific performance against Knusford Resources in the event of a termination.</p> <p>We view this as reasonable and not detrimental to the non-interested shareholders of IWCity as in the event of termination of the SPA and/or Settlement Agreement, IWCity Group will retain the Subject Property in its possession and the Amount Due From IWCity Group to KB Group as well as the Amount Due From KB Group to IWCity Group (as defined in item 2 of Section 10 of this IAL) will remain outstanding.</p>





Premised on the above, we are of the view that the salient terms of the SPA are reasonable and not detrimental to the interest of the non-interested shareholders of IWCity.

#### 10. EVALUATION OF THE SALIENT TERMS OF THE SETTLEMENT AGREEMENT

The salient terms of the Settlement Agreement are disclosed in **Appendix III, Part A** the Circular. The following sets out only a summary of the material terms of the Settlement Agreement that was considered by us and non-interested shareholders of IWCity are advised to read **Appendix III, Part A** the Circular in entirety.

	Salient terms of the Settlement Agreement	BDOCC's comments
1.	<p><b><u>Conditions precedent</u></b></p> <p>The obligations of KB and IWCity that are set out in the Settlement Agreement are conditional upon the following conditions precedent being obtained and fulfilled within 3 months from the date of the Settlement Agreement, or such other date as the parties may mutually agree in writing:-</p> <p>(a) KB having obtained the approval of its shareholders in a general meeting for amongst others (1) the acquisition of the Subject Property by Knusford Resources in accordance with the terms and conditions of the SPA; and (2) the settlement arrangement of the Settlement Sum in accordance with the terms and conditions of the Settlement Agreement;</p> <p>(b) IWCity having obtained the approval of its shareholders in a general meeting for amongst others (1) the disposal of the Subject Property by SSSB in accordance with the terms and conditions of the SPA; and (2) the settlement arrangement of the Settlement Sum in accordance with the terms and conditions of the Settlement Agreement (if required); and</p> <p>(c) the SPA having become unconditional in accordance with the terms and conditions contained therein.</p>	<p>We are of the view that the 3 months period from the date of Settlement Agreement or such other date as the parties of the Settlement Agreement may mutually agree in writing, is reasonable, as IWCity and KB are required to obtain approval from their respective shareholders to complete the Proposed Disposal and Settlement.</p> 
2.	<p><b><u>Payment of Settlement Sum</u></b></p> <p>In light of the Proposed Disposal and Settlement, IWCity and KB agree and acknowledge that on the completion date of the Settlement Agreement:-</p> <p>(a) the Settlement Sum shall be set-off against the Disposal Consideration and following such set-off arrangement, a sum equivalent to the Settlement Sum shall be deemed paid and settled by KB Resources to SSSB towards the Disposal Consideration;</p> <p>(b) subject to applicable adjustment to be made to the Disposal Consideration in accordance with the provisions of the SPA, the Differential Amount shall be paid and settled by Knusford Resources to SSSB in such manner as stipulated in the provisions of the SPA; and</p>	<p>These terms are reasonable as the set-off of the Settlement Sum against the Disposal Consideration is consistent with the terms of the SPA and not detrimental to the non-interested shareholders of IWCity.</p> 

	<b>Salient terms of the Settlement Agreement</b>	<b>BDOCC's comments</b>
	<p>(c) all rights, claims and actions which the KB Group was entitled against the IWCity Group in respect of an aggregate sum of RM50,924,575.38 due and owing by the IWCity Group to the KB Group arising from (1) the works and services provided by the KB Group to the IWCity Group under the Botanika Project, the Danga Sutera Project and the Infra Project respectively; (2) Renting of Office and Apartment; and (3) the Amount deemed owing by IWCity Group to KB Group from the revocation and cancellation of the transfer of 4 identified properties (collectively, the "<b>Amount Due From IWCity Group to KB Group</b>"), shall be waived by KB Group as if the Amount Due From IWCity Group to KB Group has been paid and settled in full by IWCity Group.</p>	<p>This term is reasonable and serves to protect the interest of IWCity Group as the Settlement Sum would be deemed paid and settled in full by IWCity Group upon completion of the Proposed Disposal and Settlement.</p>
<p>3.</p>	<p><b><u>Parties' right to terminate</u></b></p> <p>If on the expiry of the cut-off date i.e. 3 months from the date of the Settlement Agreement, or such other date as the parties may mutually agree in writing, any of the conditions precedent have not been obtained or fulfilled, then either party shall be entitled to terminate the Settlement Agreement by giving a notice of termination to that effect to the other party, and thereafter, the parties shall not have any further rights under the Settlement Agreement except in respect for-</p> <p>(a) any obligation under the Settlement Agreement which is expressed to apply after its termination; and</p> <p>(b) any rights or obligations which have accrued in respect of any breach of any of the provisions of the Settlement Agreement to either party prior to such termination.</p> <p>In the event that:-</p> <p>(a) any party commits any material breach of any of its obligations under the Settlement Agreement which:-</p> <p>(i) is incapable of remedy; or</p> <p>(ii) if capable of remedy, is not remedied within 14 days of it being given notice to do so;</p> <p>(b) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of a party;</p> <p>(c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of a party;</p> <p>(d) any party becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or</p>	<p>This term is reasonable as it allows IWCity or KB the right to terminate the Settlement Agreement in the event any of the conditions precedent have not been obtained or fulfilled within 3 months from the date of the Settlement Agreement, or such other date as the parties may mutually agree in writing.</p> <p>These terms are reasonable as they are common commercial terms in an agreement for transactions that are similar to the Settlement.</p> 

	<b>Salient terms of the Settlement Agreement</b>	<b>BDOCC's comments</b>
	<p>arrangement with its creditors or makes a general assignment for the benefit of its creditors;</p> <p>(e) any party ceases or threaten to cease or carries on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the Settlement Agreement); or</p> <p>(f) any of the warranties given by a party is found at any time to be untrue or inconsistent,</p> <p>then either party may, at any time prior to completion of the Settlement Agreement while any such circumstances subsists, be at liberty to give a notice of termination to the other party for the purpose of terminating the Settlement Agreement.</p>	
4.	<p><b><u>Termination of Settlement Agreement</u></b></p> <p>In the event that the SPA is terminated for any reason whatsoever in accordance with its terms, the Settlement Agreement shall automatically terminate and cease to have any further force or effect, other than the provisions on confidentiality prescribed therein, which shall survive termination.</p>	<p>This term is reasonable as it is consistent with the termination clause of the SPA.</p>

**Premised on the above, we are of the view that the salient terms of the Settlement Agreement are reasonable and not detrimental to the interest of the non-interested shareholders of IWCity.**

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## 11. EFFECTS OF THE PROPOSED DISPOSAL AND SETTLEMENT

In evaluating the Proposed Disposal and Settlement, we have taken note of the effects of the Proposed Disposal and Settlement as set out in **Section 5, Part A** of the Circular. Our comments for the effects of the Proposed Disposal and Settlement are as follows:

### (i) Issued share capital and substantial shareholders' shareholdings

The Proposed Disposal and Settlement will not have any effect on the share capital and substantial shareholders' shareholdings of IWCity as the Proposed Disposal and Settlement does not involve any issuance of new IWCity shares.

### (ii) Earnings and EPS

As set out in **Section 5.3, Part A** of the Circular, the proforma effects of the Proposed Disposal and Settlement based on the latest audited consolidated statement of comprehensive income of IWC Group for the FYE 31 December 2021 are as follows:

	<b>Amount (RM'000)</b>	<b>EPS<sup>(1)</sup> (sen)</b>
Loss after taxation attributable to owners of the Company for the FYE 31 December 2021	(27,929)	(3.13)
Less: One-off proforma gain before taxation arising from the Proposed Disposal and Settlement	100	0.01
Less: Estimated expenses in respect of the Proposed Disposal and Settlement	(250)	(0.03)
Less: Tax on disposal	(24)	(2) <sub>-</sub>
<b>Proforma loss after taxation attributable to owners of the Company for the FYE 31 December 2021</b>	<b>(28,103)</b>	<b>(3.15)</b>

**Notes:-**

(1) Computed based on the weighted average number of 921,127,742 shares in IWCity for the FYE 31 December 2021.

(2) Less than 0.01.

The Proposed Disposal and Settlement is expected to result in a one-off net proforma loss after taxation attributable to owners of IWCity of RM0.174 million, mainly arising from:

- (i) One-off proforma gain before taxation arising from the Proposed Disposal and Settlement amounting to RM0.10 million;
- (ii) less estimated expenses in respect of the Proposed Disposal and Settlement amounting to RM0.25 million; and
- (iii) less tax on disposal of the Subject Property amounting to RM0.024 million.

Accordingly, the proforma loss per IWCity Share will increase marginally from RM0.0313 for the FYE 31 December 2021 to RM0.0315 after the completion of the Proposed Disposal and Settlement.

**(iii) NA per share and gearing**

As set out in **Section 5.2, Part A** of the Circular, the proforma effects of the Proposed Disposal and Settlement based on the latest audited consolidated statements of financial position of IWC Group as at 31 December 2021 are as follows:

	<b>Audited as at 31 December 2021 (RM'000)</b>	<b>After the Proposed Disposal and Settlement (RM'000)</b>
Share capital	766,884	766,884
Retained earnings	10,149	9,975
<b>Total equity / NA</b>	<b>777,033</b>	<b>776,859</b>
No. of shares in issue ('000)	921,128	921,128
NA per share (RM)	0.84	0.84
Total borrowings, including lease liabilities (RM'000)	169,351	169,351
Gearing (times)	0.22	0.22

The Proposed Disposal and Settlement is not expected to have a material effect on the proforma NA per IWCity Share as the one-off proforma loss arising from the Proposed Disposal of RM0.174 million has minimal impact to IWCity's audited NA as at 31 December 2021 of RM777.03 million.

The Proposed Disposal and Settlement will not have any effect on the proforma gearing of IWCity as the net debt owing by IWCity Group to KB Group to be settled pursuant to the Settlement are trade payables and not deemed as borrowings for IWCity Group.

**Based on the above, the overall effects of the Proposed Disposal and Settlement are not detrimental to the interests of the non-interested shareholders of IWCity.**

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## 12. INDUSTRY OVERVIEW AND PROSPECTS

### 12.1 Outlook of the Malaysian Economy

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While growth was lifted to some extent by the low base from the Full Movement Control Order (FMCO) in June 2021, growth in April and May 2022 was particularly robust, underpinned by the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for E&E products. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy increased by 3.5% (1Q 2022: 3.8%).

Key economic sectors continued to expand in the second quarter of 2022. The services sector grew by 12.0% (1Q 2022: 6.5%). Consumer-related subsectors such as retail and leisure-related activities continued to recover amid the transition to endemicity, reopening of the international borders, improving labour market conditions and the additional support from policy assistance. The strong expansion was also seen in business related activities including transport and storage, due in part to higher growth in air passenger traffic and tourist arrivals. Furthermore, growth of the real estate subsector continued to improve as property transactions recovered. Additionally, the information and communication subsector provided further support to growth following greater usage of e-commerce services.

The Malaysian economy is projected to expand further for the remainder of the year. Economic growth will be underpinned by firm domestic demand as external demand is expected to moderate, weighed by headwinds to global growth. Going forward, growth would continue to benefit from improving labour market conditions and recovery in tourism-related sectors following the reopening of international borders.

*(Source: The BNM Quarterly Bulletin: Second Quarter 2022)*

### 12.2 Outlook of the Property Market in Malaysia and Johor

The property market performance recorded a rebound in the first half of 2022 (H1 2022), a reflective of normalising economic activity as the country moved towards endemicity. With the positive projection on economic growth by Bank Negara Malaysia, expected between 5.3% to 6.3% in 2022, supported by the implementation of various government initiatives and assistance, the property market performance is expected to be on track.

More than 188,000 transactions were recorded amounting to RM84.40 billion, showing an increase of more than 30% in volume and value compared to the same period last year, as all property sectors recorded year-on-year growth.

Residential property sector recorded 116,178 transactions worth RM45.62 billion in the review period which increased by 26.3% in volume and 32.2% in value year-on-year. The four major states namely Pulau Pinang, Kuala Lumpur, Johor and Selangor formed about 47% of the total national residential volume.

Commercial property segment recorded 15,169 transactions worth RM14.02 billion, up by 45.4% in volume and 28.3% in value compared to the same period last year. Selangor contributed the highest volume and value to the national market share, with 26.5% in volume (4,025 transactions) and 33.5% in value (RM4.70 billion).

Johor retained the highest number and value of overhang in the country with 6,040 units worth RM4.73 billion, accounting for 17.7% and 21.8% in volume and value respectively of the national total. Pulau Pinang ranked second with 16.2% share (5,508 units; RM3.64 billion), and followed by Selangor with 15.1% share (5,156 units; RM4.71 billion).

*(Source: Property Market Report First Half 2022, Valuation & Property Services Department, Ministry of Finance Malaysia)*

### **12.3 Prospects of IWCity Group**

With the Government reopening of the international borders on 1 April 2022, the Malaysia economy is expected to gradually recover. However, the business outlook for the property sector remains tough for the financial year ending 2022 due to inflation pressures and rising costs of building materials.

Under the aforesaid circumstances, the Group believes its performance for this financial year to remain challenging.

Despite the challenging outlook, the Group will continue to monitor the market situation whilst adopting prudent approach for any new products' launches, and shall unlock the value of its land bank whenever an opportunity arises. With the recent announced Proposed Disposal and Settlement, the Group also expects to improve its financial position.

*(Source: Management of IWCity)*

#### **Our Comments**

Based on the above, we are of the view that the Company's strategy in unlocking value of its land banks whenever the opportunity arises is reasonable in view of the current overhang of the property market in Johor. This would also allow IWCity to monetise its non-revenue generating land bank. In addition, the Proposed Disposal and Settlement would also enable the Group to utilise its cash balances to be channelled towards its existing ongoing projects instead of repayment of the Settlement Sum.

Nevertheless, the future prospects of IWCity Group will still be dependent on factors around the globe, including the outcome of the Ukraine war, continuation of the disruption in global supply chain, global inflationary pressure, rising interest rates and the overall outlook of the property market in Malaysia and Johor.

## **13. RISK FACTORS ASSOCIATED WITH THE PROPOSED DISPOSAL AND SETTLEMENT**

In considering the Proposed Disposal and Settlement, the non-interested shareholders of IWCity are advised to give careful consideration to the risk factors as set out in **Section 4, Part A** of the Circular.

The following are the key risk factors relating to the Proposed Disposal and Settlement:

### **13.1 Non-completion risks**

We noted that the completion of the Proposed Disposal and Settlement is conditional upon the fulfilment of the conditions precedent under the SPA as set out in **Appendix II, Part A** of the Circular. Accordingly, there is no assurance that the Proposed Disposal and Settlement can be completed within the time period permitted under the SPA.

We are of the view that the non-completion risk for the Proposed Disposal and Settlement is common aspect of similar proposals or arrangements. In the event that the conditions precedent are not fulfilled within the stipulated time period, the SPA may be terminated and the Proposed Disposal and Settlement will not proceed.

### 13.2 Loss of opportunity

We noted that upon completion of the Proposed Disposal and Settlement, the Group would no longer be able to enjoy any potential appreciation in the market value of the Subject Property in the future. In addition, the Group would no longer be able to derive the future economic benefits arising from developing the Subject Property.

We are of the view that the loss of opportunity risk for the Proposed Disposal and Settlement is acceptable in view that the Board (save for the Interested Directors), having considered all aspects of the Proposed Disposal and Settlement, is of the opinion that the Proposed Disposal and Settlement is in the best interest of the Company and is in line with the Group's intention to focus its resources on existing ongoing projects. Accordingly, the Settlement would allow the Group to settle debts without incurring cash outflow, thus preserving the Group's cash reserves for its existing ongoing projects.

**Comments:**

**We wish to highlight that although measures will be taken by the Board to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operations and financial performance, position or prospects of IWCity Group.**

**In evaluating the Proposed Disposal and Settlement, non-interested shareholders of IWCity should carefully consider the risk factors as set out in Section 4, Part A of the Circular and its mitigating factors before voting on the resolution pertaining to the Proposed Disposal and Settlement at the forthcoming EGM of IWCity.**

### 14. CONCLUSION AND RECOMMENDATION

You should carefully consider the terms of the Proposed Disposal and Settlement based on all relevant and pertinent factors including those which are set out above, and other considerations as set out in this IAL, the Circular and any other publicly available information.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors which are summarised as follows:

Section in this IAL	Area of evaluation	Our Evaluation
Section 7	Rationale of the Proposed Disposal and Settlement	Given the property overhang situation in of Johor, we are of the opinion that the Proposed Disposal is reasonable as it represents an opportunity for IWCity to unlock value on the Subject Property at a price equivalent to the market Value of the Subject Property. The Proposed Disposal would also enable IWCity Group to realise its investment in the Subject Property which has been vacant and non-revenue generating since the date of its acquisition on 3 March 2017.
Section 8	Basis and justification of the Disposal Consideration	We are of the view that the adopted market value for the valuation of the Subject Property of RM53.24 million or RM219 psf which was derived based on the adjusted land value of Comparable 5, is fair due to the following:  (i) The bases and assumptions used by the Valuer in deriving the respective adjusted land values of the comparables are reasonable;



Section in this IAL	Area of evaluation	Our Evaluation
		<p>(ii) Whilst Comparable 5 is located 12km away from the Subject Property, the selection of this comparable as the best comparable is reasonable as it was transacted in 2022 which is more recent and therefore more reflective of the current market value of the Subject Property. The other 4 comparables were transacted between 2017 to 2020; and</p> <p>(iii) Comparable 5's adjusted land value of RM219.24 psf is the closest to the previous transacted price of the Subject Property in 2016 of RM209.80 as compared to other 4 comparables' adjusted land value which ranges from RM269.22 to RM409.49.</p> <p>We also noted that the Disposal Consideration of RM53.24 million is equivalent to the market value of the Subject Property of RM53.24 million. As such, we are of the view that the Disposal Consideration is fair.</p>
Section 9	Evaluation of the salient terms of the SPA	We are of the view that the salient terms of the SPA are reasonable and not detrimental to the interest of the non-interested shareholders of IWCity.
Section 10	Evaluation of the salient terms of the Settlement Agreement	We are of the view that the salient terms of the Settlement Agreement are reasonable and not detrimental to the interest of the non-interested shareholders of IWCity.
Section 11	Effects of the Proposed Disposal and Settlement	<p>The effects of the Proposed Disposal and Settlement are as follows:</p> <p>(i) <b><u>Issued share capital and substantial shareholders' shareholdings</u></b></p> <p>The Proposed Disposal and Settlement will not have any effect on the share capital and substantial shareholders' shareholdings of IWCity as the Proposed Disposal and Settlement does not involve any issuance of new IWCity shares.</p> <p>(ii) <b><u>Earnings and EPS</u></b></p> <p>The Proposed Disposal and Settlement is expected to result in a one-off net proforma loss after taxation attributable to owners of IWCity of RM0.174 million, mainly arising from:</p> <p>(i) One-off proforma gain before taxation arising from the Proposed Disposal and Settlement amounting to RM0.10 million;</p> <p>(ii) less estimated expenses in respect of the Proposed Disposal and Settlement amounting to RM0.25 million; and</p> <p>(iii) less tax on disposal of the Subject Property amounting to RM0.024 million.</p>

Section in this IAL	Area of evaluation	Our Evaluation
		<p>Accordingly, the proforma loss per IWCity Share will increase marginally from RM0.0313 for the FYE 31 December 2021 to RM0.0315 after the completion of the Proposed Disposal and Settlement.</p> <p><b>(iii) <u>NA per share and gearing</u></b></p> <p>The Proposed Disposal and Settlement is not expected to have a material effect on the proforma NA per IWCity Share as the one-off proforma loss arising from the Proposed Disposal of RM0.174 million has minimal impact to IWCity's audited NA as at 31 December 2021 of RM777.03 million.</p> <p>The Proposed Disposal and Settlement will not have any effect on the proforma gearing of IWCity as the net debt owing by IWCity Group to KB Group to be settled pursuant to the Settlement are trade payables and not deemed as borrowings for IWCity Group.</p> <p>Based on the above, the overall effects of the Proposed Disposal and Settlement are not detrimental to the interests of the non-interested shareholders of IWCity.</p>
Section 12	Industry overview and prospects	<p>We are of the view that the Company's strategy in unlocking value of its land banks whenever the opportunity arises is reasonable in view of the current overhang of the property market in Johor. This would also allow IWCity to monetise its non-revenue generating land bank.</p> <p>In addition, the Proposed Disposal and Settlement would also enable the Group to utilise its cash balances to be channelled towards its existing ongoing projects instead of repayment of the Settlement Sum.</p> <p>Nevertheless, the future prospects of IWCity Group will still be dependent on factors around the globe, including the outcome of the Ukraine war, continuation of the disruption in global supply chain, global inflationary pressure, rising interest rates and the overall outlook of the property market in Malaysia and Johor.</p>
Section 13	Risk factors associated with the Proposed Disposal and Settlement	<p>In considering the Proposed Disposal and Settlement, the non-interested shareholders of IWCity are advised to give careful consideration to the risk factors as set out in <b>Section 4, Part A</b> of the Circular.</p> <p>We wish to highlight that although measures will be taken by the Board to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operations and financial performance, position or prospects of IWCity Group.</p>



In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL. Based on this, BDOCC views that the Proposed Disposal and Settlement is **fair** and **reasonable** and is **not detrimental** to the non-interested shareholders of IWCity. Accordingly, we advise and recommend that the non-interested shareholders **vote in favour** of the ordinary resolution pertaining to the Proposed Disposal and Settlement to be tabled at the forthcoming EGM.

Yours faithfully  
For and on behalf of  
**BDO CAPITAL CONSULTANTS SDN BHD**

**Wong Wing Seong**  
*Executive Director - Advisory*

**Hasanuddin Bin Amiruddin**  
*Director – Advisory*

**Raine&Horne.**

Raine & Horne International  
Zaki + Partners Sdn. Bhd.

(Company No. 99440-T)

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Our Ref.: VJB22.118A

22 July 2022

The Board of Directors  
Iskandar Waterfront City Berhad  
#G08, Block 8, Danga Bay  
Jalan Skudai  
80200 Johor Bahru  
Johor

Dear Sirs,

**VALUATION CERTIFICATE FOR  
GERAN 90571, LOT 726, MUKIM OF PULAI, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR,  
LOCATED WITHIN KAMPUNG TANJUNG DANGA, 81200 JOHOR BAHRU, JOHOR ("THE SUBJECT  
PROPERTY")**

This Valuation Certificate has been prepared for the purpose of submission to the Bursa Malaysia Securities Berhad ("**Bursa Securities**") in relation to the proposed disposal of the Subject Property from Success Straits Sdn Bhd ("**SSSB**"), a wholly owned subsidiary of Iskandar Waterfront City Berhad ("**IWCity**") to Knusford Resources Sdn Bhd ("**Knusford Resources**"), a wholly owned subsidiary of Knusford Berhad ("**KB**") ("**Proposed Disposal**").

In accordance with your instructions to value the Subject Property for the purpose of submission to Bursa Securities, we have inspected the Subject Property on 18 July 2022 and the material date of valuation is as at 22 July 2022.

The valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia and with the necessary professional responsibility and due diligence.

Our basis of valuation is the "Market Value" which is defined in the Malaysian Valuation Standards as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

We note that Knusford Resources had entered into a conditional sale and purchase agreement ("**SPA**") on 22 July 2022 with the registered owner of the Subject Property, namely SSSB whereby SSSB had agreed to sell and Knusford Resources had agreed to acquire the Subject Property on the basis that the Subject Property is and shall be converted to commercial use at SSSB's cost and expense at a fixed sum of RM247,598.00 and whereby:

- (a) in no event shall SSSB be liable to pay any costs and expenses or to top-up or pay additional costs and expenses to give effect to the conversion, even if such costs and expenses shall increase for any reason whatsoever following the completion date and Knusford Resources shall solely be responsible for any and all such additional costs and expenses arising from the conversion; and
- (b) any surpluses of the conversion cost (if any) retained by Knusford Resources is not refundable and belong wholly and absolutely to Knusford Resources.
- (c) Clause 4.2 (a) (2) states that the sum equivalent to the conversion cost shall be retained by the Purchaser for the purpose of securing the performance of the Vendor in respect of the Conversion as prescribed in Clause 7, and following such retention, a sum equivalent to the Conversion Cost shall be deemed paid and settled by the Purchaser to the Vendor towards the Price.



(Property, Plant & Machinery Valuation)

**Perunding Harta Tanah Antarabangsa • International Property Consultants**

KUALA LUMPUR PENANG IPOH KELANG PETALING JAYA SUBANG JAYA SEREMBAN MELAKA KUANTAN JOHOR BAHRU KUCHING KOTA KINABALU

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- (d) Clause 7.2 (a) states that the Purchaser is entitled to, at any time after the Completion Date, request in writing to the Vendor that the Vendor do all that is necessary for the purpose of giving effect to the Conversion.
- (e) Clause 7.2 (b) states that the Purchaser agrees and undertakes that it shall forward the requisite Conversion Cost to the Vendor together with the issuance of the Written Request for Conversion to the Vendor.

**OUR VALUATION IS ON THE ASSUMPTION THAT THE SUBJECT PROPERTY HAS BEEN CONVERTED TO A COMMERCIAL DEVELOPMENT LAND.**

**IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED.**

Notwithstanding that the Subject Property is currently a parcel of unconverted development land, our valuation of the Subject Property is on the basis that it has been converted to a commercial development land pursuant to the parties' intention in the SPA.

The details of the Subject Property are as follows:

**IDENTIFICATION OF THE SUBJECT PROPERTY**

- Interest to be valued /  
Type of property : Freehold interest in a parcel of unconverted development land zoned for commercial use and on the basis that the Subject Property is and shall be converted to commercial use at SSSB's cost and expense at an agreed fixed sum.
- Location : Located within Kampung Tanjung Danga, Johor.

**TITLE PARTICULARS OF THE SUBJECT PROPERTY**

Title particulars : When valuing the Lot 726, we have adopted the original land area stated in the Borang B1 (Pelan Tanah) attached to the Land Title and thereafter deducted the compulsory land acquisition as stated in Borang K to arrive at the net land area. We did not use the registered land area stated in Borang 5BK of the Land Title as it does not reflect the actual net land area after the compulsory land acquisition neither does it reflect the original land area as per the Borang B1 (Pelan Tanah) before the compulsory land acquisition.

Our verbal enquiries at Pejabat Tanah Dan Galian Johor also confirmed that there is an error in the registered land area in Borang 5BK of the Land Title for Lot 726. We understand from IWCity, that there is no application to the Pejabat Tanah Dan Galian Johor to rectify the error as yet.

**Net Land Area**

Based on the official title search and our reference to the Certified Plan No. 25854 issued by Jabatan Ukur Dan Pemetaan Malaysia (JUPEM), we note the net land area of the Subject Property (after compulsory land acquisition) is as follows:

Title No.	Lot No.	Land Area Before Land Acquisition (Acres)	Compulsory Land Acquisition (Borang K)	Net Land Area (Acres)	Net Land Area (Square Feet)
Geran 90571	726	5.812*	On 5 January 1982 935.8 square metres (equivalent to 0.231 acre)	5.5812	243,117

\*Note: Based on Borang B1 (Pelan Tanah) of the Land Title and the Certified Plan No. 25854

Mukim/District/State	:	The title is held in the Mukim of Pulai, District of Johor Bahru, State of Johor.
Tenure	:	Freehold
Category of Land Use	:	Nil
Registered Proprietor	:	SUCCESS STRAITS SDN BHD
Express Condition	:	Nil
Restriction in Interest	:	Nil
Encumbrance	:	Nil
Endorsement	:	*Pengambilan Sebahagian Tanah – Borang K, seluas lebih kurang 935.8 meter persegi dan cukai dipinda kepada RM105.00, didaftarkan pada 5 Januari 1982

**GENERAL DESCRIPTION OF THE SUBJECT PROPERTY**

The Subject Property is located within Kampung Tanjung Danga which is approximately thirteen (13) kilometres due west of Johor Bahru city centre. Kampung Tanjung Danga is also located next to Lebuhraya Sultan Iskandar (also known as Coastal Highway). The Subject Property is easily accessible from the Johor Bahru city centre via Skudai Highway onto Lebuhraya Sultan Iskandar and onto Jalan Sungai Temon Asli which leads to Kampung Tanjung Danga via the second exit. Sungai Danga is located to the north of the Subject Property.

The metalled road of Jalan Sungai Temon Asli links to Jalan Sri Laguna 1 and provides direct access to Taman Laguna, a housing scheme located to the south of the Subject Property. The Subject Property is located about 260 metres from the southern side of Lebuhraya Sultan Iskandar.

The site plan of the Subject Property is shown below.



Site plan of the Subject Property (edged in red)

The Subject Property is regular in shape and fronts onto the metalled road known as Jalan Sungai Temon Asli. After the land acquisition, the Subject Property has a frontage of about 71 metres (233 feet) and an average depth of 216 metres (708 feet).

At the date of our inspection, we note that the site is generally vacant. The Subject Property is partly cleared and partly overgrown with lalang, bushes and wild trees. The site boundaries are not demarcated by any form of fencing.

The site is generally flat to undulating in terrain but gradually slopes downward from the southern portion towards the northern portion. Based on the Demarcation of Land Boundary and Topographical Survey Plan prepared by Jurukur Bakti vide plan no. JBL/JH/39/2018/DS, we note that the spot levels are ranging from 4 metres to 12 metres within the Subject Property.

**TOWN PLANNING PROVISIONS**

Based on the Local Planning Guidelines of Johor Bahru & Kulai 2025 (Rancangan Tempatan Daerah Johor Bahru & Kulai 2025), we note that the Subject Property is zoned for commercial use at a plot ratio of 1:4. There is no planning approval for the Subject Property.

**METHOD OF VALUATION**

We have used the Comparison Approach to determine the value of the Subject Property by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Where dissimilarities exist, adjustments are made.

We have used the Comparison Approach of valuation as the ONLY method of valuation. We did not use the Income Approach (Residual Method), Income Method and Cost Method as there is no planning approval for the Subject Property as yet. In the absence of an approved detailed development plan, the Income Approach (Residual Method) will be very much arbitrary due to the high level of sensitivity in respect of the various data inputs that forms the crux of the approach.

**COMPARISON APPROACH**

In applying the Comparison Approach to arrive at the Market Value of the Subject Property, we have taken into consideration the following sale evidences and adjustment factors:

ITEM	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Title & Lot No.	HSD 574550, PTD 24599, Town of Johor Bahru, District of Johor Bahru, Johor	HSD 574551, PTD 24600, Town of Johor Bahru, District of Johor Bahru, Johor	HSD 10974, Lot 3081, Town of Johor Bahru, District of Johor Bahru, Johor	HSD 239043, PTD 111517, Mukim of Pientong, District of Johor Bahru, Johor	GRN 56283, Lot 1307, Town of Johor Bahru, District of Johor Bahru, Johor
Locality	Located along Persiaran Abu Bakar and approximately 10 kilometres south-west of the Subject Property	Located along Persiaran Abu Bakar and approximately 10 kilometres south-west of the Subject Property	Located along Jalan Yahya Awal, Johor Bahru and approximately 10 kilometres east of the Subject Property	Located along Jalan Suria, Bandar Seri Alam and about 28 kilometres north-east of the Subject Property	Located along Jalan Wadihana, Johor Bahru and approximately 12 kilometres west of the Subject Property
Property Type	A parcel of commercial land (Note: This comparable property is a reclaimed land. We understand that the sale is a contra payment for land in exchange for the reclamation works of Lido Waterfront Boulevard along Persiaran Abu Bakar)	A parcel of commercial land (Note: This comparable property is a reclaimed land. We understand that the sale is a contra payment for land in exchange for the reclamation works of Lido Waterfront Boulevard along Persiaran Abu Bakar)	A parcel of commercial land (Note: There was a land acquisition of 1,547 sq.m. in 1995 and surrender of land of 3,199 sq.m. in 2016. The net land area is 18,898 square metres (205,362 sf))	A parcel of commercial land	A parcel of commercial land
Land Area	4.00 acres	3.73 acres	4.71 acres	9.50 acres	0.71 acres
Land Area	174,431 sq.ft.	162,417 sq.ft.	205,362 sq.ft.	413,614 sq.ft.	30,737 sq.ft.
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Category of Land Use	Building	Building	Building	Building	Building
Town Planning	Commercial use (plot ratio 12)	Commercial use (plot ratio 12)	Commercial use (plot ratio 10)	Commercial use (plot ratio 4)	Commercial use (plot ratio 8)
Date of Transaction	1/7/2020	12/12/2019	30/8/2019	19/07/2017	*18/04/2022
Consideration	RM104,648,544	RM97,447,048	RM95,000,000	RM101,000,000	RM8,606,367
Vendor	Lido Waterfront Boulevard Sdn Bhd	Lido Waterfront Boulevard Sdn Bhd	JB Citytowers Sdn Bhd	United Malayan Land Bhd	88 Leaders Sdn Bhd
Purchaser	China Communications Construction Company (M) Sdn Bhd	China Communications Construction Company (M) Sdn Bhd	Solusi Kelana Sdn Bhd	Regency Specialist Hospital Sdn Bhd	Thoong Sen Property Sdn Bhd
Source	JPPH	JPPH	JPPH	JPPH	JPPH
Analysis	RM599.94 psf	RM599.98 psf	RM462.60 psf	RM244.19 psf	RM280.00 psf

ITEM	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
<b>ADJUSTMENT</b>					
Factors Taken into Consideration	Positive adjustment for time; negative adjustment for location, size, category of land use, town planning and no sea frontage	Positive adjustment for time; negative adjustment for location, size, category of land use town planning and no sea frontage	Positive adjustment for time; negative adjustment for location, terrain, category of land use and town planning	Positive adjustment for time, location and size; negative adjustment for terrain and category of land use	Positive adjustment for terrain; Negative adjustment for location, size, category of land use and town planning
Adjusted Land Value	<b>RM409.46</b>	<b>RM409.49</b>	<b>RM372.55</b>	<b>RM269.22</b>	<b>RM219.24 psf</b>

(JPPH: Jabatan Penilaian Dan Perkhidmatan Harta)

Comparable 5 is the best comparable with an adjusted land value of RM219.24 per square foot. It is the latest transacted property and has the second least net adjustment. It is also a fair representation of the Market Value of the Subject Property as we note that the Subject Property was previously transacted on 30 September 2016 for RM51,000,000 at RM209.80 per square foot as an unconverted development land zoned for commercial use. However, there was no undertaking by the then Vendor to convert the land to commercial use. The current valuation is on the basis that the Subject Property is and shall be converted to commercial use at the Vendor's cost and expense.

In addition to the benefit of the cost and expense of conversion which will be paid by the Vendor, we are of the opinion that the increase of the Market Value over the acquisition price is reasonable as the locality of Danga Bay has gone through various urban and infrastructure development over recent years. We have therefore adopted a Market Value of RM219.00 per square foot for the valuation of the Subject Property.

**OPINION OF MARKET VALUE**

**OUR VALUATION IS ON THE ASSUMPTION THAT THE SUBJECT PROPERTY HAS BEEN CONVERTED TO A COMMERCIAL DEVELOPMENT LAND.**

**IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED.**

Notwithstanding that the Subject Property is currently a parcel of unconverted development land, our valuation of the Subject Property is on the basis that it has been converted to a commercial development land pursuant to the parties' intention in the SPA.

In our opinion the Market Value of Geran 90571, Lot 726, Mukim of Pulau, District of Johor Bahru, State of Johor and all being located within Kampung Tanjung Danga, 81200 Johor Bahru, Johor, on the basis the title is free from all encumbrances and with vacant possession is **RM53,240,000 (Ringgit Fifty Three Million Two Hundred And Forty Thousand Only)**.

The Market Value is analysed over the net land area of 5.5812 acres (243,117 square feet) at **RM219 per square foot**.

Yours faithfully,  
For and behalf of  
**Raine & Horne International  
Zaki + Partners Sdn. Bhd.**



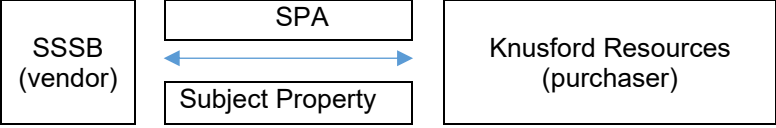
**Sr. Wong Yin Fook**  
Registered Valuer No. V 231  
Partner

Date of signing: 22 July 2022



**APPENDIX II – SALIENT TERMS OF THE SPA**

The salient terms of the SPA are as follows:-

<p>Parties</p>	 <p><b>Subject Property:</b> A parcel of freehold vacant land held under Geran Hakmilik No. 90571, Lot No. 726, Mukim of Pulai, District of Johor Bahru, State of Johor.</p> <p><b>Disposal Consideration:</b> RM53.24 million</p>
<p>Conditions precedent</p>	<p>The obligations of SSSB and Knusford Resources that are set out in the SPA are conditional upon the following conditions precedent being obtained and fulfilled within 3 months from the date of the SPA, or such other date as the parties may mutually agree in writing:-</p> <p>(a) SSSB having obtained the approval of the shareholders of IWCity at a general meeting for amongst others (1) the disposal of the Subject Property in favour of Knusford Resources in accordance with the terms and conditions of the SPA; and (2) the Settlement in accordance with the terms and conditions of the Settlement Agreement (if required); and</p> <p>(b) Knusford Resources having obtained the approval of the shareholders of KB at a general meeting to be convened for amongst others (1) the acquisition of the Subject Property by Knusford Resources in accordance with the terms and conditions of the SPA; and (2) the Settlement in accordance with the terms and conditions of the Settlement Agreement.</p>
<p>Manner of payment of Disposal Consideration</p>	<p>SSSB and Knusford Resources agree and acknowledge that the Disposal Consideration shall be satisfied by Knusford Resources on the completion date of the SPA in accordance with the following manner:-</p> <p>(a) A sum equivalent to the Settlement Sum shall be utilised to set-off against the Disposal Consideration and following such set-off arrangement, a sum equivalent to the Settlement Sum shall be deemed paid and settled by Knusford Resources to SSSB towards the Disposal Consideration.</p> <p>(b) A sum equivalent to the Conversion Cost shall be retained by Knusford Resources for the purpose of securing the performance of SSSB in respect of the Conversion, and following such retention, a sum equivalent to the Conversion Cost shall be deemed paid and settled by Knusford Resources to SSSB towards the Disposal Consideration.</p> <p>(c) Subject to the Adjustment (as defined below) (if applicable), the remaining balance of the Purchase Consideration, being RM2,227,826.62 (i.e. the difference between (i) the Disposal Consideration; and (ii) the aggregate of the Settlement Sum and the Conversion Cost) ("<b>Balance</b>") shall be paid and settled by Knusford Resources to SSSB entirely in cash on the completion date.</p>

**APPENDIX II – SALIENT TERMS OF THE SPA (CONT'D)**

<p>Adjustment of Purchase Consideration</p>	<p>(a) SSSB and Knusford Resources acknowledge that, prior to the date of the SPA, the Valuer has been jointly engaged by IWCity and KB for the purposes of valuing inter alia the market value of the Subject Property.</p> <p>(b) In the event that the assessed market value of the Subject Property shall be varied/adjusted pursuant to any comments provided by the relevant authorities on the valuation certificate, the Purchase Consideration shall be varied/adjusted upwards or downwards accordingly ("<b>Adjustment</b>"). The Purchase Consideration and the Balance to be paid and settled by Knusford Resources to SSSB pursuant to the provisions of the SPA, shall be deemed to be the sum as adjusted in accordance with the provisions of the SPA, provided that the Adjustment shall amount to a sum of more than 1% of the Purchase Consideration.</p> <p>(c) If the Adjustment shall amount to more than 10% of the Purchase Consideration, SSSB and Knusford Resources shall review and endeavor to mutually agree in good faith on a revised Purchase Consideration within 30 days following such variation/adjustment taking effect.</p>
<p>SSSB's obligations upon completion of the SPA</p>	<p>SSSB shall, on the completion date of the SPA, execute a valid and registrable memorandum of transfer in respect of the Subject Property ("<b>Transfer</b>") and deliver, amongst others, the following documents (collectively, "<b>Transfer Documents</b>") to Knusford Resources or its solicitors to hold and deal with in accordance with the provisions of the SPA:-</p> <p>(a) the Transfer;</p> <p>(b) original issue document of title for the Subject Property; and</p> <p>(c) quit rent and assessment receipts in respect of the Subject Property for the current year.</p>
<p>Knusford Resources as sole beneficial owner</p>	<p>SSSB expressly acknowledges that on and from the completion date of the SPA, Knusford Resources is the sole and absolute beneficial owner of the Subject Property and Knusford Resources shall have the full rights, title and interests in and to the Subject Property and is entitled to deal with the Subject Property in any manner whatsoever as if Knusford Resources is the absolute owner of the Subject Property thereof pending the registration of the Transfer in favour of Knusford Resources.</p>

**APPENDIX II – SALIENT TERMS OF THE SPA (CONT'D)**

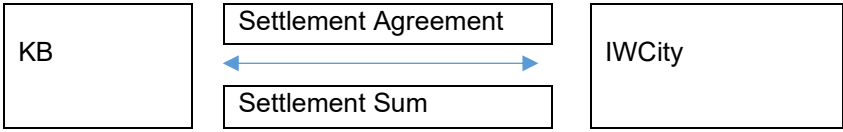
<p>Conversion</p>	<p>(a) SSSB and Knusford Resources acknowledge and covenant that the Disposal Consideration has been arrived at on the basis that the Subject Property is and shall be converted to commercial use at SSSB's cost and expense, of which an independent consultant jointly appointed by SSSB and Knusford Resources has determined and fixed at a sum of RM247,598.00.</p> <p>(b) SSSB and Knusford Resources agree and acknowledge that:-</p> <p>(1) in no event shall SSSB be liable to pay any costs and expenses or to top-up or pay additional costs and expenses to give effect to the Conversion, even if such costs and expenses shall increase for any reason whatsoever following the completion date of the SPA and Knusford Resources shall solely be responsible for any and all such additional costs and expenses arising from the Conversion; and</p> <p>(2) any surpluses of the Conversion Cost (if any) retained by Knusford Resources is not refundable and belong wholly and absolutely to Knusford Resources.</p>
<p>Parties' right to terminate</p>	<p>If on the expiry of cut-off date i.e. 3 months from the date of the SPA, or such other date as the parties may mutually agree in writing, any of the conditions precedent have not been obtained or fulfilled, then either party shall be entitled to terminate SPA by giving a notice of termination to that effect to the other party, and thereafter, the parties shall not have any further rights under SPA except in respect for-</p> <p>(a) any obligation under SPA which is expressed to apply after its termination; and</p> <p>(b) any rights or obligations which have accrued in respect of any breach of any of the provisions of this agreement to either party prior to such termination.</p> <p>If, at any time prior to the completion date of the SPA:-</p> <p>(a) any party commits any material breach of any of its obligations under the SPA which:-</p> <p>(1) is incapable of remedy; or</p> <p>(2) if capable of remedy, is not remedied within 14 days of it being given notice to do so;</p> <p>(b) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of a party;</p> <p>(c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of a party;</p> <p>(d) any party becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;</p>

**APPENDIX II – SALIENT TERMS OF THE SPA (CONT'D)**

Parties' right to terminate (cont'd)	<p>(e) any party ceases or threaten to cease or carries on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the SPA); or</p> <p>(f) any of the warranties given by a party is found at any time to be untrue or inconsistent,</p> <p>then any party may, at any time prior to completion of the SPA while any such circumstances subsists, be at liberty to give a notice of termination to the other party for the purpose of terminating the SPA.</p>
Termination of Settlement Agreement	In the event that the Settlement Agreement is terminated for any reason whatsoever in accordance with its terms, the SPA shall automatically terminate and cease to have any further force or effect, other than the provisions on confidentiality prescribed therein, which shall survive termination.
Vacant possession of Subject Property	SSSB and Knusford Resources agree and acknowledge that vacant possession of the Subject Property, free from all encumbrances and claims whatsoever, will be deemed delivered by SSSB to Knusford Resources on the completion date of the SPA.

## APPENDIX III – SALIENT TERMS OF THE SETTLEMENT AGREEMENT

The salient terms of the Settlement Agreement are as follows:-

Parties	
Conditions precedent	<p>The obligations of KB and IWCity that are set out in the Settlement Agreement are conditional upon the following conditions precedent being obtained and fulfilled within 3 months from the date of the Settlement Agreement, or such other date as the parties may mutually agree in writing:-</p> <ul style="list-style-type: none"> <li>(a) KB having obtained the approval of its shareholders in a general meeting for amongst others (1) the acquisition of the Subject Property by Knusford Resources in accordance with the terms and conditions of the SPA; and (2) the settlement arrangement of the Settlement Sum in accordance with the terms and conditions of the Settlement Agreement;</li> <li>(b) IWCity having obtained the approval of its shareholders in a general meeting for amongst others (1) the disposal of the Subject Property by SSSB in accordance with the terms and conditions of the SPA; and (2) the settlement arrangement of the Settlement Sum in accordance with the terms and conditions of the Settlement Agreement (if required); and</li> <li>(c) the SPA having become unconditional in accordance with the terms and conditions contained therein.</li> </ul>
Payment of Settlement Sum	<p>In light of the Proposed Disposal and Settlement, IWCity and KB agree and acknowledge that on the completion date of the Settlement Agreement:-</p> <ul style="list-style-type: none"> <li>(a) the Settlement Sum shall be set-off against the Disposal Consideration and following such set-off arrangement, a sum equivalent to the Settlement Sum shall be deemed paid and settled by KB Resources to SSSB towards the Disposal Consideration;</li> <li>(b) subject to applicable adjustment to be made to the Disposal Consideration in accordance with the provisions of the SPA, the Differential Amount shall be paid and settled by Knusford Resources to SSSB in such manner as stipulated in the provisions of the SPA; and</li> <li>(c) all rights, claims and actions which the KB Group was entitled against the IWCity Group in respect of an aggregate sum of RM50,924,575.38 due and owing by the IWCity Group to the KB Group arising from (1) the works and services provided by the KB Group to the IWCity Group under the Botanika Project, the Danga Sutera Project and the Infra Project respectively; (2) Renting of Office and Apartment; and (3) the Amount deemed owing by IWCity Group to KB Group from the revocation and cancellation of the transfer of 4 identified properties (collectively, the <b>"Amount Due From IWCity Group to KB Group"</b>), shall be waived by KB Group as if the Amount Due From IWCity Group to KB Group has been paid and settled in full by IWCity Group.</li> </ul>

**APPENDIX III – SALIENT TERMS OF THE SETTLEMENT AGREEMENT (CONT'D)**

Parties' right to terminate	<p>If on the expiry of the cut-off date i.e. 3 months from the date of the Settlement Agreement, or such other date as the parties may mutually agree in writing, any of the conditions precedent have not been obtained or fulfilled, then either party shall be entitled to terminate the Settlement Agreement by giving a notice of termination to that effect to the other party, and thereafter, the parties shall not have any further rights under the Settlement Agreement except in respect for-</p> <ul style="list-style-type: none"> <li>(a) any obligation under the Settlement Agreement which is expressed to apply after its termination; and</li> <li>(b) any rights or obligations which have accrued in respect of any breach of any of the provisions of the Settlement Agreement to either party prior to such termination.</li> </ul> <p>In the event that:-</p> <ul style="list-style-type: none"> <li>(a) any party commits any material breach of any of its obligations under the Settlement Agreement which:- <ul style="list-style-type: none"> <li>(1) is incapable of remedy; or</li> <li>(2) if capable of remedy, is not remedied within 14 days of it being given notice to do so;</li> </ul> </li> <li>(b) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of a party;</li> <li>(c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of a party;</li> <li>(d) any party becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;</li> <li>(e) any party ceases or threaten to cease or carries on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the Settlement Agreement); or</li> <li>(f) any of the warranties given by a party is found at any time to be untrue or inconsistent,</li> </ul> <p>then either party may, at any time prior to completion of the Settlement Agreement while any such circumstances subsists, be at liberty to give a notice of termination to the other party for the purpose of terminating the Settlement Agreement.</p>
Termination of SPA	<p>In the event that the SPA is terminated for any reason whatsoever in accordance with its terms, the Settlement Agreement shall automatically terminate and cease to have any further force or effect, other than the provisions on confidentiality prescribed therein, which shall survive termination.</p>

**APPENDIX III – SALIENT TERMS OF THE SETTLEMENT AGREEMENT (CONT'D)**

Consequences of termination	<p>Within 14 days of a notice of termination being duly given pursuant to the provisions of the Settlement Agreement or the termination of the SPA, KB shall return to IWCity all documents, if any, delivered to KB by or on behalf of IWCity, and whereupon the parties shall be entitled to exercise all of their rights and remedies to recover whatever sum that are due and payable by the respective parties in connection with:-</p> <ul style="list-style-type: none"><li>(a) the Amount Due From IWCity Group to KB Group; and</li><li>(b) the Amount Due From KB Group to IWCity Group,</li></ul> <p>as at the date of the notice of termination.</p>
Full and final settlement	<p>KB and IWCity agree that the Settlement Agreement is in compromise and full and final settlement between the parties of all claims of whatever nature, howsoever arising, for or in connection with any complaint(s), claim(s) and/or proceeding(s) in respect of:-</p> <ul style="list-style-type: none"><li>(a) the Amount Due From IWCity Group to KB Group; and</li><li>(b) the Amount Due From KB Group to IWCity Group.</li></ul> <p>Upon completion of the Settlement Agreement having occurred, all claims made or which could be made of whatsoever kind or character which the parties or their respective solicitors have or had against each other in relation to any breach of contract, claim for compensation or on any other grounds whatsoever, from the beginning of time until the date of the Settlement Agreement shall be deemed to have been fully and finally settled.</p> <p>Without limitation to the foregoing, KB and IWCity agree, acknowledge and undertake that upon completion of the Settlement Agreement having occurred:-</p> <ul style="list-style-type: none"><li>(a) the KB Group shall have no claim of any nature whatsoever against the IWCity Group in connection with the Amount Due From IWCity Group to KB Group; and</li><li>(b) the IWCity Group shall have no claim of any nature whatsoever against the KB Group in connection with the Amount Due From KB Group to IWCity Group.</li></ul>

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board has seen and approved this Circular and they collectively and individually accept full responsibility for the completeness and accuracy of the information contained in this Circular. They confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts and information which, if omitted, would make any statement in this Circular false or misleading.

Information relating to the Purchaser in this Circular was obtained from publicly available sources and/or provided by the Purchaser and/or its directors and/or management. The responsibility of the Board is therefore limited to ensuring that such information has been accurately reproduced in this Circular and the Board accepts no further or other responsibility in respect of such information.

**2. CONSENT AND CONFLICT OF INTEREST****2.1 Principal Adviser**

Mercury Securities, being the Principal Adviser to the Company for the Proposed Disposal and Settlement, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto, in the form and context in which they appear.

As at the LPD, Mercury Securities confirms that it is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser to the Company for the Proposed Disposal and Settlement.

**2.2 Independent Adviser**

BDOCC, being the Independent Adviser to the Company for the Proposed Disposal and Settlement, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto, in the form and context in which they appear.

As at the LPD, BDOCC confirms that it is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Independent Adviser to the Company for the Proposed Disposal and Settlement.

**2.3 Valuer**

Raine & Horne International Zaki + Partners Sdn Bhd, being the Valuer, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular, the valuation certificate on the Subject Property as set out in Appendix I of this Circular and all references thereto in the form and context in which they appear.

As at the LPD, Raine & Horne International Zaki + Partners Sdn Bhd confirms that it is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Valuer.

**3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**Material commitments

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group.



### Contingent liabilities

As at the LPD, the Board confirmed that, save as disclosed below in Section 4(i) of this Appendix IV, there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial results or position of the Group.

## **4. MATERIAL LITIGATION**

As at the LPD, the Board confirmed that there is no material litigation, claims and/or arbitration involving the Subject Property, and the Board confirmed that there is no preceding, pending or threatened, involving the Subject Property or any part thereof.

As at the LPD, save as disclosed below, the Board confirmed that neither the Company nor its subsidiaries are engaged in any material litigation, claim and/or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and the Board confirmed that there are no proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

### **(i) JA-22NCvC-149-11/2020**

On 17 November 2020, the Company and its subsidiary, Tebrau Bay Constructions received a Writ and Statement of Claim ("**Claim**") filed by Tenaga Nasional Berhad ("**TNB**" or the "**Plaintiff**") at the Johor Bahru High Court. Another subsidiary, Tebrau Bay, was included in the suit as a 3rd defendant on 5 December 2021 (collectively, Tebrau Bay Constructions, the Company and Tebrau Bay are known as the "**Defendants**"). TNB alleged that the reclamation works undertaken by the Defendants in 2014 on Lot PTD 121257 Kampung Senibong have trespassed on the right of way ("**ROW**") of TNB's submarine cables and caused damages to the said cables. The Claim seeks, amongst others, the following reliefs:-

- (a) perpetual injunction order against the Defendants from carrying out any activities on TNB's ROW without TNB's permission;
- (b) damages of RM76,564,759.77;
- (c) general damages against losses suffered by the Plaintiff and economic loss damage to be assessed by the Johor Bahru High Court, together with interest at the rate of 5% per annum from the filing of the suit until the date of full settlement; and
- (d) other damages, costs and reliefs which the Court deems fit and proper.

The Group has appointed a counsel to defend the claim. Tebrau Bay Constructions and the Company had on 31 January 2021 and Tebrau Bay had on 13 July 2022 filed applications to strike out the Plaintiff's suit ("**Defendants' Striking Out Applications**"). The Group's defence, amongst others, is that at all material times, the reclamation works were carried out by independent contractors outside of the Plaintiff's ROW, in accordance with plans approved by the Johor Bahru City Council since 2000. Further, the Plaintiff has not provided any evidence of the nature, cause and quantum of the alleged damage to the submarine cables.

As at the LPD, the Johor Bahru High Court has fixed 10 November 2022 for the hearing of the Defendants' Striking Out Applications.

Due to the above, the Group is of the view that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and has accordingly disclosed the details of the Claim as a contingent liability.

The solicitors in charge are in the view that the Defendants have a reasonable chance to succeed in defending the Writ.

(ii) **JA-21NCvC-13-03/2022**

On 29 March 2022, Tebrau Bay was served with a Writ and Statement of Claim by the Government of Malaysia in respect of the outstanding income tax pursuant to assessment notice for assessment year of 2015 issued by Inland Revenue Board for RM10,831,595 plus 5% per annum on the alleged claims, costs and other reliefs as the Johor Bahru High Court deems fit and proper to grant.

The suit is not expected to have any operational impact to Tebrau Bay and will not have any material financial impact as the said amount has already been fully provided in the financial statements of the Company for the FYE 31 December 2021 except for any additional costs or interests granted (if any).

Following the hearing of the application for summary judgement on 13 September 2022, the Court has allowed the Government of Malaysia's claims with costs of RM3,000 to be paid by Tebrau Bay to the Government of Malaysia ("**Decision**").

As at the LPD, Tebrau Bay is seeking advice from its legal counsel on the next course of actions which include but not limited to filing an appeal against the said Decision, whereby such appeal shall be made within 30 days from the date of the Decision.

**5. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim, during normal business hours from Mondays to Fridays (except public holidays) following the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 31 December 2020 and FYE 31 December 2021 as well as the unaudited quarterly report of the Company for the 6-month FPE 30 June 2022;
- (iii) the valuation certificate as set out in Appendix I of this Circular and the valuation report from the Valuer in relation to the Subject Property;
- (iv) the SPA dated 22 July 2022;
- (v) the Settlement Agreement dated 22 July 2022; and
- (vi) letters of consents referred to in Section 2 of this Appendix IV.



**ISKANDAR WATERFRONT CITY BERHAD**  
(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting (“**EGM**”) of Iskandar Waterfront City Berhad (“**IWCity**” or the “**Company**”) will be conducted on a fully virtual basis through live streaming and online remote voting via the online meeting platform at <https://web.vote2u.my> on 16 November 2022, Wednesday at 11.00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without any modifications:-

**ORDINARY RESOLUTION**

**PROPOSED DISPOSAL OF A PIECE OF FREEHOLD VACANT LAND BY SUCCESS STRAITS SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY) TO KNUSFORD RESOURCES SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF KNUSFORD BERHAD (“KB”)) FOR A CASH CONSIDERATION OF RM53.24 MILLION (“DISPOSAL CONSIDERATION”) (“PROPOSED DISPOSAL”) AND SETTLEMENT OF DEBT OWING BY THE COMPANY AND ITS SUBSIDIARIES TO KB AND ITS SUBSIDIARIES AMOUNTING TO RM50.76 MILLION BY WAY OF SET-OFF AGAINST THE DISPOSAL CONSIDERATION (“SETTLEMENT”)**

**“THAT** subject to all the requisite approvals of the relevant authorities and/or parties being obtained, approval be and is hereby given to Success Straits Sdn Bhd, a wholly-owned subsidiary of the Company, to dispose of a piece of freehold vacant land held under Geran Hakmilik No. 90571, Lot No. 726, Mukim of Pulai, District of Johor Bahru, State of Johor measuring 5.581 acres to Knusford Resources Sdn Bhd for a disposal consideration of RM53.24 million upon the terms and conditions as set out in the conditional sale and purchase agreement dated 22 July 2022 entered into between Success Straits Sdn Bhd and Knusford Resources Sdn Bhd (“**SPA**”);

**THAT** the Disposal Consideration be utilised to set-off against a sum due and payable by the Company and its subsidiaries to KB and its subsidiaries amounting to RM50.76 million as at 31 March 2022 upon the terms and conditions as set out in the conditional settlement agreement dated 22 July 2022 entered into between the Company and KB (“**Settlement Agreement**”);

**AND THAT** the Board of Directors of the Company (“**Board**”) be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as the Board may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Disposal and Settlement with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Disposal and Settlement or as the Board may deem necessary or expedient; and deal with all such matters and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Disposal and Settlement, in the interest of the Company.”

## BY ORDER OF THE BOARD

**Yong May Li (F) (LS 000295) / SSM PC No. 202008000285)**  
**Lim Aik Yong (F) (MAICSA 7054965) / SSM PC No. 202008000995)**  
**Wong Chee Yin (F) (MAISCA 7023530) / SSM PC No. 202008001953)**  
Company Secretaries

Johor Bahru  
31 October 2022

### Notes:-

1. *The EGM of the Company will be conducted fully virtual and online remote voting using the Remote Participation and Voting Facilities via vote2U at <https://web.vote2u.my>. Please refer to the Administrative Guide for the detailed steps on remote participation and vote remotely.*
2. *A member entitled to participate and vote at the meeting is entitled to appoint not more than two proxies to participate and vote in his stead. A proxy need not be a member of the Company.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
4. *Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.*
7. *The Proxy Form must be deposited with the Company Secretary at the Registered Office, Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim, or be lodged electronically via [ir@iwcity.com.my](mailto:ir@iwcity.com.my), not less than 48 hours before the time set for the Meeting.*
8. *For the purpose of determining a member who shall be entitled to attend the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 55(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a general meeting Record of Depositor as at 9 November 2022. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to participate and/or vote on his stead.*
9. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*



**ISKANDAR WATERFRONT CITY BERHAD**  
(Incorporated in Malaysia)

**ADMINISTRATIVE GUIDE FOR SHAREHOLDERS**

**ISKANDAR WATERFRONT CITY BERHAD – EXTRAORDINARY GENERAL MEETING**

Date : 16 November 2022  
 Time : 11.00 a.m.  
 Virtual Meeting accessible at : <https://web.vote2u.my>

In the best interest of public health and the health and safety of our shareholders, the Board of Directors and the management, the Extraordinary General Meeting (“EGM”) will be held virtually and online remote voting using the Remote Participation and Voting Facilities (“RPV”).

We strongly encourage our shareholders whose names appear on the Record of Depositors as at 9 November 2022 and holders of proxy for those shareholders to participate in the virtual EGM and vote remotely at this EGM. In line with the Malaysian Code on Corporate Governance 2021 Practice 13.3, this virtual EGM will facilitate greater shareholder’s participation (including posting questions to the Board of Directors and/or Management of the Company) and vote at the EGM without being physically present at the venue. For shareholders who are unable to participate in this virtual EGM, you may appoint proxy(ies) or the Chairman of the Meeting as your proxy to attend and vote on your behalf at the EGM.

Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of the participants (shareholders and proxies). Hence, you are to ensure that internet connectivity throughout the duration of the meeting is maintained while using RPV provided by Agmo Digital Solutions Sdn. Bhd. (“AGMO”) via its Vote2U Online website at <https://web.vote2u.my>

**PROCEDURES TO PARTICIPATE IN RPV**

Please follow the Procedure to Participate in RPV as summarized below:

**BEFORE EGM DAY**

**A: REGISTRATION**

**Individual Shareholders**

	<b>Description</b>	<b>Procedure</b>
i.	Shareholders to register with Vote2U online	The registration will open from the day of notice <ol style="list-style-type: none"> <li>a. Access website at <a href="https://web.vote2u.my">https://web.vote2u.my</a></li> <li>b. Click “<b>Sign Up</b>” to sign up as a user.</li> <li>c. Read the ‘Privacy Policy’ and ‘Terms &amp; Conditions’ and indicate your acceptance of the ‘Privacy Policy’ and ‘Terms &amp; Conditions’ on a small box <input type="checkbox"/>. Then click “<b>Next</b>”.</li> <li>d. *Fill-in your details (note: create your own password).</li> </ol>

		<p>e. Then click “<b>Continue</b>”.</p> <p>f. Upload softcopy of your identification card (MYKAD) (frontonly) (for Malaysian) or Passport (for non-Malaysian).</p> <p>g. Log in as user completed.</p> <p>h. Your registration will be verified and an email notification will be sent to you. Please check your email.</p> <p><u>Note:</u> If you have registered as a user with Vote2U Online previously, you are not required to register again.</p> <p>*Check your email address is keyed in correctly. *Remember the password you have keyed-in.</p>
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**B: REGISTER PROXY**

**Individual Shareholder / Corporate Shareholder / Nominees Company**

	<b>Description</b>	<b>Procedure</b>
i.	Submit Form of Proxy (hardcopy and electronic)	<p>The closing time to submit your Form of Proxy is on 14 November 2022, Monday at 11.00 a.m.</p> <p>a. *Fill-in details on the Form of Proxy and to ensure provide the following information:</p> <ul style="list-style-type: none"> <li>○ MYKAD (for Malaysian) / Passport (for non-Malaysian) number of the Proxy</li> <li>○ *Email address of the Proxy</li> </ul> <p>b. Submit/Deposit the Form of Proxy to <b>Suite 1301, 13<sup>th</sup> Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim.</b></p> <p>c. Submit by electronic means via email :- The proxy form also can be lodged electronically <b>via email at <a href="mailto:ir@iwcity.com.my">ir@iwcity.com.my</a></b></p> <p><u>Note:</u> After verification, an email notification will be sent to the Proxy and will be given a temporary password. The Proxy could use the temporary password to log in to Vote2U.</p> <p>*Check the email address of Proxy is written down correctly.</p>

Shareholders who appoint Proxy(ies) to participate the virtual EGM must ensure that the e-Proxy form and/or hardcopy Form of Proxy is submitted not less than 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

## ON EGM DAY

### A: WATCH LIVE STREAMING

#### Individual Shareholders & Proxies

	Description	Procedures
i.	Login to virtual meeting portal - Vote2U online & watch Live Streaming.	<p>The Vote2U online portal will open for log in starting from 10.00 a.m., one (1) hour before the commencement of the EGM.</p> <ol style="list-style-type: none"><li>Login with your email and password</li><li>Select the General Meeting event (for example, "IWCITY EGM").</li><li>Check your details.</li><li>Click "<b>Watch Live</b>" button to view the live streaming.</li></ol>

### B: ASK QUESTION

#### Individual Shareholders & Proxies

	Description	Procedures
i.	Ask Question during EGM (real-time)	<p>Questions submitted online using <u>typed text</u> will be moderated before being forwarded to the Chairman to avoid repetition. Every question and message will be presented with the full name of the shareholder or proxy raising the question.</p> <ol style="list-style-type: none"><li>Click "<b>Ask Question</b>" button to post question(s).</li><li>Type in your question and click "<b>Submit</b>".</li></ol> <p>The Chairperson / Board of Director will endeavor to respond to questions submitted by remote shareholders and proxies during the EGM.</p>

## C: VOTING REMOTELY

### Individual Shareholders & Proxies

	Description	Procedures
i.	Online Remote Voting	<p>Once the Chairman announces the opening of remote voting:</p> <ol style="list-style-type: none"><li>Click "<b>Confirm Details &amp; Start Voting</b>".</li><li>To vote, select your voting choice from the options provided. A confirmation screen will appear to show your selected vote.</li><li>To change your vote, click "<b>Back</b>" and select another voting choice.</li><li>After you have completed voting, a Voting Summary page appears to show the resolution with your voting choice. Click "<b>Confirm</b>" to submit your vote.</li></ol> <p>[Please note that you are <u>not able</u> to change your voting choice after you have confirmed and submitted your vote.]</p>

### ADDITIONAL INFORMATION

#### Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the EGM will be conducted by poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

#### No Door Gift or e-Voucher or Food Voucher

There will be no door gift or e-Voucher or food voucher given at this EGM.

#### Enquiry

If you have enquiry relating to the EGM Administrative Guide for Shareholders or the RPV or encounters issues with the log in, steps to connect to live streaming and online voting, please email to [vote2u@agmostudio.com](mailto:vote2u@agmostudio.com).





**ISKANDAR WATERFRONT CITY BERHAD**  
(Incorporated in Malaysia)

**FORM OF PROXY**

I/We \_\_\_\_\_ of NRIC / Passport / Company No. \_\_\_\_\_  
(Full Name in Capital Letters)

of \_\_\_\_\_  
(Full Address)

being a member(s) of Iskandar Waterfront City Berhad hereby appoint(s) \_\_\_\_\_  
(Full Name in Capital Letters)

\_\_\_\_\_ of NRIC / Passport No. \_\_\_\_\_ of \_\_\_\_\_  
(Full Address)

or failing him/her \_\_\_\_\_ of NRIC / Passport No. \_\_\_\_\_ of  
(Full Name in Capital Letters)

\_\_\_\_\_ or  
(Full Address)

failing him/her, the Chairman of the meeting as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting (“EGM”) of the Company to be conducted on a fully virtual basis through live streaming and online remote voting via the online meeting platform at <https://web.vote2u.my> on 16 November 2022, Wednesday at 11.00 a.m. or at any adjournment thereof, as the case may be, on the following resolution referred to in the notice of EGM:-

Resolution	For	Against
Ordinary resolution - Proposed Disposal and Settlement		

*(Please indicate with an “X” in the appropriate box against the resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain at his/her discretion.)*

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

For appointment of two proxies, percentage of shareholdings to be represented by the respective proxies must be indicated below.

	No. of shares	Percentage
Proxy 1		
Proxy 2		
<b>Total</b>		<b>100%</b>

\_\_\_\_\_  
Signature / Common Seal of Member(s)

Notes:

1. *The EGM of the Company will be conducted fully virtual and online remote voting using the Remote Participation and Voting Facilities via vote2U at <https://web.vote2u.my>. Please refer to the Administrative Guide for the detailed steps on remote participation and vote remotely.*
2. *A member entitled to participate and vote at the meeting is entitled to appoint not more than two proxies to participate and vote in his stead. A proxy need not be a member of the Company.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
4. *Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.*
7. *The Proxy Form must be deposited with the Company Secretary at the Registered Office, Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim, or be lodged electronically via [ir@iwcity.com.my](mailto:ir@iwcity.com.my), not less than 48 hours before the time set for the Meeting.*
8. *For the purpose of determining a member who shall be entitled to attend the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 55(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a general meeting Record of Depositor as at 9 November 2022. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to participate and/or vote on his stead.*
9. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

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Affix  
stamp

**REGISTERED OFFICE OF  
ISKANDAR WATERFRONT CITY BERHAD**  
Suite 1301  
13th Floor, City Plaza  
Jalan Tebrau  
80300 Johor Bahru  
Johor Darul Takzim

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