

BURSA ANNOUNCEMENT

CHILLED WATER SUPPLY AGREEMENT BETWEEN MBSB TOWER SDN BHD AND PJ SENTRAL DCS SDN BHD

1. INTRODUCTION

Malaysia Building Society Berhad (“MBSB” or “the Company”) wishes to announce that MBSB Tower Sdn Bhd (“MBSBT”), a wholly owned subsidiary of MBSB, has on 1 June 2021 entered into a Chilled Water Supply Agreement (“CWSA”) with PJ Sentral DCS Sdn Bhd (“PJSDCS”), a wholly-owned subsidiary of MRCB DCS Holding Sdn Bhd, which in turn is a wholly owned subsidiary of Malaysian Resources Corporation Berhad (“MRCB”), for the supply of chilled water to an office building (“Building”) located at Lot 12, Seksyen 26, Pusat Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan for a period of 20 years at an estimated total consideration of up to RM73,410,364 (“the Transaction”).

2. BACKGROUND

Information on MBSBT

MBSBT was incorporated in Malaysia on 12 November 2012 as a private limited company. The total amount of issued share capital of MBSBT of RM2.00 comprising of 2 ordinary shares are held by MBSB.

The principal activity of MBSBT is property development.

Information on PJSDCS

PJSDCS was incorporated in Malaysia on 2 July 2015 as a private limited company. The issued and paid up capital of PJSDCS is RM3,500,000 comprising of 3,500,000 ordinary shares. PJSDCS is a wholly owned subsidiary of MRCB DCS Holding Sdn Bhd which in turn is a wholly owned subsidiary of MRCB.

PJSDCS is principally involved in provision of district cooling services.

Relationship Between MBSBT and PJSDCS

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 8 of this announcement, the Transaction is deemed as a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).

3. DETAILS OF THE CHILLED WATER SUPPLY

3.1. Brief details of the chilled water (“Chilled Water”) supply are as follows:

- (a) Maximum Cooling Load : 1,173 Refrigeration Ton (“RT”)
- (b) Tariff : Energy Charge of RM0.48 per Refrigeration Ton Hour (“RTh”). Subject to revision of 6% escalation in every 3 years and at any time resulting from any changes in water and electricity supply tariff.

The estimated total consideration of up to RM70,947,273 is calculated after taking into consideration the proposed revision in tariff which also assumes a scenario of increasing Tenaga Nasional Berhad (“TNB”) tariff charged to PJSDCS, over the tenure of the Term (as defined in Section 3.1(c) below). The assumed TNB tariff increase was based on historical increase in TNB tariff over the past ten (10) years averaged to be at 6.75% increase in every three (3) years.

- (c) Term : 20 years from Commercial Operations Date
- (d) Commercial Operations Date (“COD”) : 1 December 2020
- (e) Connection Charge : RM2,463,090.66

3.2. Salient Terms of the CWSA

- a. On and from the COD, MBSBT shall accept and purchase such Chilled Water supplied to the Building at the tariff as specified.
- b. Upon the expiry of the Term, PJSDCS shall at the request of MBSBT continue to supply the Chilled Water to MBSBT for a further term on terms and conditions to be discussed and mutually agreed upon. MBSBT is to give a written notice to PJSDCS at least twelve (12) months prior to the expiry of the Term to continue.
- c. PJSDCS shall from the COD until the expiry of the Term or earlier termination of the CWSA, supply and deliver to MBSBT the Chilled Water at the point of delivery in accordance with the operational and/or technical parameters on a twenty-four (24) hours daily including weekends and public holidays upon request.
- d. MBSBT shall, from the COD, undertake to take delivery of the Chilled Water supplied by PJSDCS from the point of delivery in accordance with the operational and/or technical parameters pay to PJSDCS the tariff for the supply of the Chilled Water and fulfill all its payment/financial obligations to PJSDCS on a timely basis

- e. MBSBT shall:
 - i. pay to PJSDCS a non-refundable connection charge
 - ii. provide to PJSDCS a deposit by way of a bank guarantee;
 - iii. pay for chilled water based on the energy charge of RM 0.48 per RTh; and
 - iv. pay interest at the rate of six per centum (6%) per annum on any outstanding invoices and/or charges

- f. The tariff shall be revised by PJSDCS:
 - i. in the event of electrify tariff revision and water tariff revision announced by the relevant governing authority; and/or
 - ii. by 6% escalation in every three (3) years.

- g. Liquidated and Ascertained Damages (“LAD”) is payable by PJSDCS to MBSBT in the event of:
 - i. a Minor Interruption, caused by or due to a default by PJSDCS, for a period of more than Twenty Four (24) hours, PJSDCS shall pay to Consumer as LAD - Interruption of Supply, for each day of interruption of supply of Chilled Water beyond the said Twenty Four (24) hours until the supply of Chilled Water is restored; or
 - ii. a Major Interruption, caused by or due to a default by PJSDCS, for a period of more than Seventy Two (72) hours, PJSDCS shall pay to Consumer as LAD – Interruption of Supply, the sum based on formula set out in **Schedule J** for each day of interruption of supply Chilled Water beyond the said Seventy Two (72) hours until the supply of Chilled Water is restored;

- h. The maximum aggregate liability in relation to any and all claims by MBSBT for the LAD shall not exceed the sum of Ringgit Malaysia Five Hundred Thousand (RM500,000.00) only for each calendar year.

- i. Neither MBSBT nor PJSDCS shall be in breach of its obligations under the CWSA if any or either party is unable to perform or fulfill any of its obligations as a result of an event of force majeure.

- j. MBSBT and PJSDCS agree to hold consultations as and when necessary, to attempt to resolve and deal with any issue, dissatisfaction or problems, if any, which may arise under the CWSA from time to time, promptly, equitably and in a good faith.

- k. Events of default by MBSBT
 - i. MBSBT commits a material breach of any of the provisions ;
 - ii. MBSBT commits, contributes to or permits any person to commit an act or omission which affects or is likely to affect the safety or efficiency of the supply of the Chilled Water by PJSDCS;
 - iii. MBSBT commits a breach of any of its other material obligations under this Agreement

In the event of default, PJSDCS shall be entitled to issue a notice of default to MBSBT and request for it to be cured within twenty-one (21) days for item (i) and (ii) above or ninety (90) days for item (iii) above.

In the event the default is not remedied upon the expiry of the relevant cure period, PJSDCS shall be entitled to issue a six (6) months' notice of termination.

1. Events of default by PJSDCS

- i. PJSDCS commits a breach of any of its material obligations under this Agreement and fails to cure such default within the time period, then, such breach shall constitute an event of default giving rise to termination of this Agreement by MBSBT

In the event of default, MBSBT shall be entitled to issue a notice of default to PJSDCS and request for it to be cured within sixty (60) days.

In the event that the default is not remedied upon the expiry of the relevant cure period, MBSBT shall be entitled to issue a six (6) months' notice of termination.

a. Consequence of Termination

- i. PJSDCS shall be entitled to immediately cease supply or may continue but shall not be obliged to supply chilled water to the Building, except that, if MBSBT is able to provide satisfactory comfort to PJSDCS, then PJSDCS shall in its sole discretion decide whether to continue supplying chilled water or otherwise.
- ii. The CWSA shall terminate on the expiry of the six (6) months from the notice of termination by either party, whereupon MBSBT shall settle and be liable to PJSDCS for all monies due and owing to PJSDCS within twenty-one (21) days.

4. RATIONALE FOR THE CWSA

1. It was part of the Sales and Purchase Agreement dated 12 December 2012 entered between P.J. Sentral Development Sdn Bhd ("PJ Sentral") and MBSBT in relation to the purchase of the Building for PJ Sentral to provide the Building chilled water from the centralized chiller plant within the development to the Building for the air-conditioning system on demand basis and the MBSBT agrees to pay for such utilization to PJ Sentral for the chilled water at such rates and terms and conditions to be prescribe and mutually agreed by PJ Sentral or its nominated service provider and the MBSBT under a separate agreement to be executed on or before the expiry of the completion period or such other date as mutually agreed by the parties.
2. The Building has been completed and MBSBT and PJSDCS are now entering into the CWSA.

5. RISK FACTORS

The proposed Chilled Water supply is generally subject to certain inherent risk in any commitment to supply the Chilled Water by the supplier, such as failure to supply due to plant and equipment failures and poor maintenance practices. The inherent risks are well mitigated through good engineering practice in designing, constructing, regular scheduled maintenance and future operations of the Chilled Water plant and the curing period provided in the CWSA.

6. FINANCIAL EFFECTS

6.1. Earning and Earnings per Share

The CWSA is not expected to have any material effect on the earnings and earnings per share of MBSB for the financial year ending 31 December 2021.

6.2. Net assets per share and gearing

The CWSA is not expected to have any material effect on the net assets per share and gearing of MBSB for the financial year ending 31 December 2021.

6.3. Share capital and substantial shareholders' shareholding

The CWSA will not have any effect on the issued and paid-up share capital of the Company as well as the substantial shareholders' shareholding in the Company as it does not involve any issuance of shares.

The proposed supply of Chilled Water is not subject to any regulatory approval of any governmental authority or the approval of shareholders of MBSB.

7. PERCENTAGE RATIO APPLICABLE TO THE CWSA

The highest percentage ratio applicable to the Transaction pursuant to paragraph 10.02 (g) of the Listing Requirements is 0.98%.

8. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

Save and as disclosed below, none of the Directors of MBSB and/or any persons connected to them have any interest, direct or indirect in the Transaction:

The Employees Provident Fund Board ("EPF") is the holding company of MBSB and is deemed interested in the Transaction by virtue of EPF being the major shareholder of MRCB, which is the ultimate holding company of PJ Sentral DCS Sdn Bhd ("PJSDCS").

YBhg Tan Sri Azlan bin Mohd Zainol is the Chairman / Non-Independent Non-Executive Director of MBSB and representative of EPF on the Board of MBSB. He is also an Independent Chairman of MRCB.

Encik Szalaza bin Zainuddin is the Non-Independent Executive Director of MBSB and representative of EPF on the Board of MBSB. Encik Szalaza bin Zainuddin is also the Chief Financial Officer of the Employees Provident Fund.

As such, YBhg Tan Sri Azlan bin Mohd Zainol and Encik Szalaza bin Zainuddin (referred to as the "Interested Directors") are deemed interested in the Transaction. Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Transaction.

9. TRANSACTION WITH SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

MBSBT had on 30 March 2021 entered into a Vehicle Parking Agreement with Semasa Parking Sdn Bhd, a wholly-owned subsidiary of MRCB for the allocation of car park and motorcycle bays at PJ Sentral Office Building for a period of 15 years, at an estimated total consideration of up to RM13.56 million (excluding SST).

10. STATEMENT BY THE AUDIT COMMITTEE (“AC”)

The AC is of the opinion that the Transaction is in the best interest of the Company and the terms of the Transaction are fair, reasonable and on normal commercial terms and hence, will not be detrimental to the interests of the minority shareholders of the Company.

The view of the AC was arrived at after having considered, among others, the terms and conditions of the CWSA, the rationale for and the prospects of the Transaction.

11. STATEMENT BY THE BOARD OF DIRECTORS

The Board (save for the Interested Director), after having considered all aspects of the Transaction and after careful deliberation, is of the opinion that the Transaction is in the best interest of the Company and the terms of the Transaction are fair, reasonable and on normal commercial terms and not be detrimental to the interest of the minority shareholders of the Company.

The view of the Board (save for the Interested Directors) was arrived at after having considered, among others, the terms and conditions of the CWSA, the rationale for and the prospects of the Transaction.

12. ESTIMATED TIMEFRAME

Barring any unforeseen circumstances, the proposed Chilled Water supply will span over 20 years from 1 December 2020.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The CWSA will be made available for inspection at the registered office of MBSB at 11th Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Height, 50490 Kuala Lumpur, Malaysia during normal business hours (except public holidays) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 1 June 2021.