

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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RUBBEREX CORPORATION (M) BERHAD

Registration No.: 199601000297 (372642-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (A) **PROPOSED SUBSCRIPTION OF 200,000 NEW ORDINARY SHARES IN ALLIANCE EMPIRE SDN BHD ("ALLIANCE EMPIRE"), REPRESENTING 20% OF THE ENLARGED EQUITY INTEREST IN ALLIANCE EMPIRE BY RUBBEREX CORPORATION (M) BERHAD ("RUBBEREX") FOR A SUBSCRIPTION PRICE OF RM180.0 MILLION TO BE FULLY SATISFIED BY CASH; AND**
- (B) **PROPOSED DIVERSIFICATION OF THE BUSINESS ACTIVITIES OF RUBBEREX AND ITS SUBSIDIARIES INTO PROPERTY INVESTMENT INCLUDING INVESTMENT IN SHOPPING MALLS,**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



M&A SECURITIES SDN BHD

Registration no. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of Rubberex Corporation (M) Berhad ("**Rubberex**" or "**Company**") will be conducted fully virtual through online meeting platform via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 31 December 2021 at 10.00 a.m. using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>. The Notice of EGM and the Form of Proxy are attached in this Circular.

Shareholders will not be allowed to attend the EGM in person on the day of the meeting.

Please read the Notes in the Notice of the EGM carefully and follow the procedures in the Administrative Guide for the EGM in order to participate remotely via RPV.

If you are unable to participate at this EGM, you may appoint a proxy(ies) to do so on your behalf by completing, signing and depositing the Form of Proxy in accordance with the instruction contained therein. Alternatively, you may appoint the Chairman of the meeting as your proxy and indicate your voting instruction in the Form of Proxy.

The completed Form of Proxy must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than 48 hours before the time for holding the EGM, which is no later than **Wednesday, 29 December 2021 at 10.00 a.m.** or any adjournment thereof. You may also submit the proxy appointment electronically via TIIH Online website at <https://tiih.online> not later than the aforementioned time.

DEFINITIONS

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

Act	:	Companies Act, 2016 and includes any amendments thereto from time to time
AGM	:	Annual general meeting
Alliance Empire	:	Alliance Empire Sdn Bhd
Alliance Empire Shares	:	Ordinary share(s) in Alliance Empire
Alliance Premier	:	Alliance Premier Sdn Bhd
Ambank	:	Ambank (M) Berhad
Board	:	Board of Directors of Rubberex
Bursa Securities	:	Bursa Malaysia Securities Berhad
CASB	:	Cosmopolitan Avenue Sdn Bhd
CCC	:	Certificate of Completion and Compliance
Circular	:	This circular to shareholders of Rubberex in relation to the Proposals dated 16 December 2021
Collaboration	:	Joint collaboration between Rubberex, Alliance Premier, Exsim and JT Momentum in respect of the development and operation of a shopping mall known as the " Empire City Mall " that is currently being constructed as part of the overall development of Empire City on the Land through Alliance Empire
COVID-19	:	Coronavirus Disease 2019
EGM	:	Extraordinary general meeting
EPS	:	Earnings per Share
EXDJ Shareholders	:	Collectively, Exsim and JT Momentum
Exsim	:	Exsim Holdings Sdn Bhd
FHCA	:	FHMH Corporate Advisory Sdn Bhd
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending 31 December, as the case may be
JT Momentum	:	JT Momentum Sdn Bhd
Knight Frank Valuer	or	Knight Frank Malaysia Sdn Bhd
Land	:	A piece of leasehold land held under Master Title No. PN116964, Lot 90573 in Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor measuring approximately 9.536 hectares

DEFINITIONS (cont'd)

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	1 December 2021, being the latest practicable date prior to the printing and despatch of this Circular
M&A Securities or Principal Adviser	:	M&A Securities Sdn Bhd
MEH	:	Mammoth Empire Holdings Sdn Bhd
MEH Shareholders	:	Dato' Ng Yee Teck and Dato' Cheah Joi Yong
NA	:	Net assets
PE	:	Price-to-earnings
Proposals	:	Collectively, the Proposed Subscription and Proposed Diversification
Proposed Diversification	:	Proposed diversification of the business activities of Rubberex Group into property investment including investment in shopping malls
Proposed Subscription	:	Proposed subscription of 200,000 Subscription Shares, representing 20% of the enlarged equity interest in Alliance Empire by Rubberex for a subscription price of RM180.0 million to be fully satisfied by cash
RM and sen	:	Ringgit Malaysia and sen, respectively
RNAV	:	Revalued net asset valuation methodology
Rubberex Group or Group	:	Rubberex and its subsidiaries
Rubberex Company	or	Rubberex Corporation (M) Berhad
Rubberex Share(s) or Share(s)	:	Ordinary share(s) in Rubberex
Shareholders Agreement	:	Shareholders' agreement dated 4 October 2021 entered into by Rubberex, Alliance Empire, EXDJ Shareholders and Alliance Premier for the purpose of regulating their relationship with one another
Subscriber	:	<u>Rubberex or its wholly-owned subsidiary</u>
Subscription Agreement	:	Conditional subscription agreement dated 4 October 2021 entered into by Rubberex and Alliance Empire for the Proposed Subscription
Subscription Price	:	Subscription price of RM180 million
Subscription Shares	:	200,000 ordinary shares in Alliance Empire to be subscribed by Rubberex
sq ft	:	square feet
sq m	:	square metres

DEFINITIONS (cont'd)

For the purpose of this Circular, all references to a time of day shall be a reference to Malaysian time unless otherwise stated. In this Circular, words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall, where applicable, include corporations.

Certain figures included in this Circular have been subject to rounding adjustments. References to "we", "us", "our" and "ourselves" are to our Company save where the context otherwise requires, our subsidiaries and to "you" or "your" are to the shareholders of the Company.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE ENTIRE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF THE COMPANY TO BE CONVENED.

Key information	Summary	Reference to Circular
Details of the Proposals	<p><u>Proposed Subscription</u></p> <p>Rubberex proposes to undertake a joint collaboration with Alliance Premier, Exsim and JT Momentum in respect of the development and operation of a shopping mall known as the "Empire City Mall" that is currently being constructed as part of the overall development of Empire City on the Land through Alliance Empire.</p> <p>In conjunction with the Collaboration, the Company has entered into the Subscription Agreement for the Proposed Subscription of 200,000 new ordinary shares in Alliance Empire, representing 20% of the enlarged equity interest in Alliance Empire by Rubberex for a subscription price of RM180.0 million to be fully satisfied by cash.</p> <p>Further, the Company also entered into the Shareholders Agreement to regulate the relationship of shareholders of Alliance Empire.</p> <p><u>Proposed Diversification</u></p> <p>Upon completion of the Proposed Subscription, the Board anticipates that the Proposed Subscription will potentially contribute 25% or more of the net profits of Rubberex Group and/or result in a diversion of more than 25% of the NA of Rubberex Group.</p> <p>Therefore, the Company wishes to obtain the approval of the shareholders of Rubberex to diversify the business activities of Rubberex Group into property investment including investment in shopping malls.</p> <p>The Proposed Diversification will be spearheaded by Lim Chee Lip who is presently the Non-Independent Executive Director of Rubberex.</p>	Section 2
Rationale for the Proposals	<p>The Proposed Subscription aims to achieve the following:</p> <p>(a) provide the Group with regular and stable income stream as well as to achieve potential long-term growth upon completion and commencement of operations of the Empire City Mall through a diversification from rubber gloves manufacturing activities; and</p> <p>(b) enable the Group to diversify into the property investment including investment in shopping malls via strategic foothold in a sizable mixed property development project.</p>	Section 3

EXECUTIVE SUMMARY (cont'd)

Key information	Summary	Reference to Circular
Approvals required and inter-conditional	<p>: The Proposals are subject to the following approvals:</p> <p>(a) the shareholders of Rubberex for the Proposals at the forthcoming EGM of the Company to be convened; and</p> <p>(b) any other relevant authorities and/or parties, where required.</p> <p>The Proposed Subscription and Proposed Diversification are inter-conditional upon each other as to the approval of the shareholders' of Rubberex. The Proposals are not conditional upon any other corporate proposals undertaken by Rubberex.</p>	Section 7
Parties involved and the element of conflict of interests	<p>: None of the directors, major shareholders, and chief executive of Rubberex and/or persons connected to them have any interest, direct or indirect, in the Proposals.</p>	Section 9
Directors' statements and recommendation	<p>: The Board, after having considered all aspects of the Proposals is of the opinion that the Proposals are in the best interest of Rubberex and its shareholders.</p> <p>Accordingly, the Board recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM to be convened.</p>	Section 10

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RUBBEREX CORPORATION (M) BERHAD

Registration No.: 199601000297 (372642-U)
(Incorporated in Malaysia)

Registered Office:

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

16 December 2021

Board of Directors:

Liew Jee Min @ Chong Jee Min (*Independent Non-Executive Chairman*)
Khoo Chin Leng (*Managing Director*)
Y. Bhg. Dato' Ong Choo Meng (*Non-Independent Non-Executive Director*)
Goh Hsu-Ming (*Non-Independent Executive Director*)
Lim Chee Lip (*Non-Independent Executive Director*)
Y. Bhg. Dato' Mohamed bin Hamzah (*Independent Non-Executive Deputy Chairman*)
Y. Bhg. Dato' Chan Choun Sien (*Independent Non-Executive Director*)

To: The Shareholders of Rubberex

Dear Sir/Madam,

(I) PROPOSED SUBSCRIPTION; AND (II) PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 4 October 2021, M&A Securities had on behalf of the Board, announced that Rubberex proposes to undertake the Proposals in conjunction with the Collaboration, where Rubberex had entered into the following agreements for the Proposed Subscription:

- (a) Subscription Agreement; and
- (b) Shareholders Agreement

In conjunction with the Proposed Subscription, Rubberex intends to undertake the Proposed Diversification as the Company envisages that the eventual contribution arising from the Proposed Subscription will contribute 25% or more of the net profits of the Group and/or result in diversion of 25% or more of the NA of the Group.

Further details of the Proposals are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY TO BE CONVENED. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM OF THE COMPANY TO BE CONVENED.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Subscription

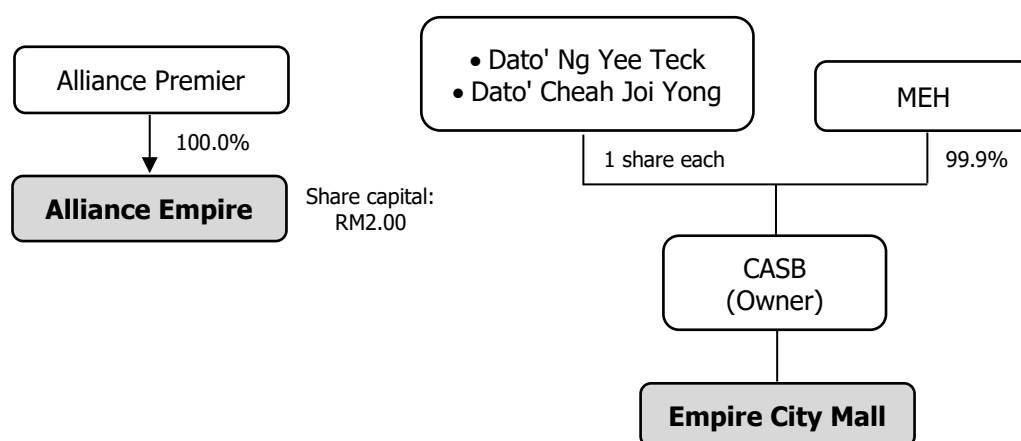
2.1.1 Transaction structure

As at the LPD, the development of the Empire City Mall is ongoing with construction works at 83.0% completion. The registered proprietor of the Empire City Mall is CASB.

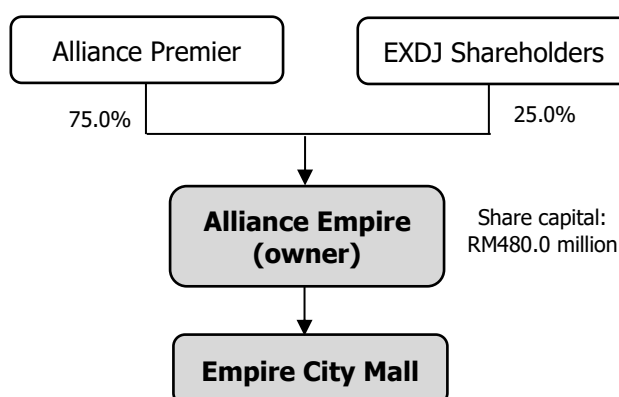
Under the Collaboration, Alliance Premier, EXDJ Shareholders and Rubberex shall collaborate to complete the development and undertake the operations of the Empire City Mall via a special purpose vehicle, namely Alliance Empire.

CASB, Alliance Premier and EXDJ Shareholders shall undertake a series of transactions involving Alliance Empire prior to the entry of Rubberex as the shareholder of Alliance Empire as illustrated below:

As at the LPD



Prior to the implementation of the Proposed Subscription



Notes:

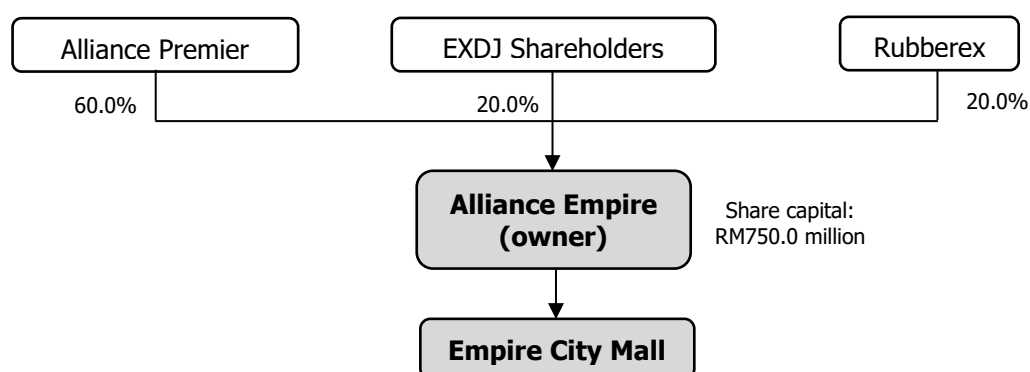
- (1) Alliance Empire shall complete the acquisition of the Empire City Mall for a purchase consideration of RM480.0 million. In addition, Alliance Empire is expected to complete the issuance and allotment of 600,000 Alliance Empire Shares and 200,000 Alliance Empire Shares to Alliance Premier and EXDJ Shareholders, respectively, by the second quarter of 2022.

Knight Frank had vide its valuation report dated 1 October 2021 ascribed a market value of RM480.0 million on Empire City Mall using the residual method of valuation on an "as is where is" basis for the purpose of determining the market value of Empire City Mall to

be acquired by Alliance Empire prior to the implementation of the Proposed Subscription. The market value of RM480.0 million on Empire City Mall was arrived on the basis that the Empire City Mall is an ongoing (construction of the main building (internal works) in progress with construction works certified completed to date) retail mall and car park podium comprising the relevant areas and components forming stratified parcels (retail and car park), accessory parcels attached and appurtenant thereto with a combined proposed strata floor area(s) of 534,515.52 sq m (equivalent to 5,735,525 sq ft) together with all fixtures, fittings and equipment, systems affixed and installed therein and other supporting facilities and amenities attached thereto, all forming part of an upcoming commercial/retail podium.

- (2) Under the terms of the Subscription Agreement, Alliance Empire has undertaken that, without the approval of Rubberex and other than normal company secretarial and audit fees and day to day administrative expenses, it will not incur any debt, liabilities and/or material commitment prior to the implementation of the Proposed Subscription.

After completion of the Proposed Subscription



Notes:

- (1) Pursuant to the Subscription Agreement, the Subscriber will subscribe for the Subscription Shares at the Subscription Price in the following manner:-
- (a) sum of RM50.0 million ("**Initial Subscription Price**") which shall be paid on the completion of the subscription of the Subscription Shares by Rubberex (i.e. 30 days after the date of the last Conditions Precedent is satisfied or such other date as the parties to the Subscription Agreement may agree in writing); and
 - (b) sum of RM130.0 million ("**Balance Subscription Price**") to be paid by Rubberex in 14 equal instalments, the first such instalment on the corresponding date 1 month after the payment of the Initial Subscription Price and thereafter on the corresponding date every month for the balance 13 instalments.

Under the terms of the Subscription Agreement, Rubberex may assign its rights and obligations to its wholly-owned subsidiary to undertake the Proposed Subscription.

Rubberex will only subscribe for the Subscription Shares after the completion of Alliance Empire’s acquisition of the Empire City Mall as the subscription monies will be utilised to complete the construction and development of the Empire City Mall.

- (2) Knight Frank had vide its valuation report dated 1 October 2021 ascribed a market value of RM1.00 billion on Empire City Mall using the income and comparison method of valuation on the basis that:
- (a) on the assumption that the proposed amendments to the building plans in accordance to the proposed strata plans dated 2 February 2021 prepared by EDA Architects will be submitted and approved by the relevant authorities;

- (b) that the proposed stratified retail parcel(s) will have a combined strata floor area(s) of about 222,762.47 sq m (equivalent to approximately 2,397,815 sq ft) in accordance to the proposed strata plans dated 2 February 2021 and a net lettable area of 162,471.84 sq m (equivalent to approximately 1,748,848 sq ft) in accordance to the proposed retail layout plan dated 25 January 2021;
- (c) that the proposed stratified car park parcel(s) will have a combined strata floor area(s) of about 311,753.05 sq m (equivalent to approximately 3,355,710 sq ft) in accordance to the proposed strata plans dated 2 February 2021 and a total of 8,572 carpark bays will be provided within Empire City Mall;
- (d) on the basis and assumption that the retail mall and car park podium comprising relevant areas and components forming stratified parcels (retail and car park), accessory parcels attached and appurtenant thereto with a combined proposed strata floor area(s) of 534,516 sq m (equivalent to approximately 5,753,525 sq ft) together with all fixtures, fittings and equipment as well as systems affixed and installed therein and other supporting facilities and amenities attached thereto are fully completed in good workmanship in accordance to the approved building plans with all relevant fees (if any) fully paid and thereafter issued with CCC;
- (e) that the upcoming retail mall and car park podium will be suitably furnished, fitted and equipped with fixtures, fittings, equipment and systems along with other supporting facilities and specifications to commensurate to the proposed standard and rating in accordance to the approved building plans and / or proposed design concept;
- (f) that all the proposed ingress and egress road / bypass networks to / from the development together with all common supporting infrastructure are fully completed;
- (g) that separate block/strata title(s) together with accessory parcels attached thereto conveying leasehold interest for a term of 99 years in respect of the subject property are forthcoming and when issued, will be free from all encumbrances and restrictive conditions over the designated strata floor area(s) stated herein.

The said basis for valuation of the Empire City Mall shall be referred to as "CCC Stage" and is used as one of the basis of arriving at the Subscription Price.

- (3) Concurrent with the Proposed Subscription, Alliance Premier and the EXDJ Shareholders shall make cash subscription for their unpaid share capital in Alliance Empire of RM90.0 million in instalments based on the progressive billing certificates issued by the architect of the Empire City Mall, which is expected to be fully paid prior to Rubberex's final instalment of the Subscription Price of approximately RM9.29 million (14 months from the payment of the Initial Subscription Price). The funding obligations of Alliance Premier and the EXDJ Shareholders shall be made in 2 portions namely, for the acquisition of the Empire City Mall and to part fund the construction and development of the Empire City Mall together with Rubberex.

These subscription monies by Alliance Premier and the EXDJ Shareholders of RM90.0 million as well as the monies from the Proposed Subscription of an aggregate amount of RM180.0 million shall be utilised to pay the expenditures to complete the construction and development of the Empire City Mall up to the CCC Stage of RM270.0 million, which includes the ad volarem stamp duties payable for the transfer of the parcels constituting the Empire City Mall to Alliance Empire ("**Stamp Duties**") at the estimated amount of RM19.18 million. In the event that the expenditures to complete the development up to the CCC Stage together with the Stamp Duties exceeds RM270.0 million, Alliance Premier and certain of its ultimate shareholders, namely Dato' Ng Yee Teck and Dato' Cheah Joi Yong ("**MEH Shareholders**") shall undertake the said excess expenditure cost. The contractor for the construction works shall be solely nominated by CASB from its group

of companies, that have prior experiences, knowledge and expertise to undertake and complete the ongoing construction and development works of Empire City Mall. CASB shall provide a defect liability period for 24 months from the date of issuance of the CCC or handover of Empire City Mall to Alliance Empire, whichever later.

- (4) In the event the construction and development of the Empire City Mall is not completed with issuance of CCC within 18 months (with an extension of 6 months) from the unconditional date of the Subscription Agreement, Rubberex shall have the option to require Alliance Premier to acquire Rubberex's 20.0% equity interest in Alliance Empire for RM180.0 million with interest of 10.0% per annum.
- (5) The difference between the ascribed market value on Empire City Mall by the Valuer are as follows:

		Valuation Methods	
		Basis I	Basis II
Market value		RM480.0 million	RM1,000 million
Valuation approach		Income approach by residual method	Income approach by Discounted Cash Flow method supported by the comparison approach
Basis valuation	of	<p>"As is where is" basis on the premise that the price which a purchase can pay for a property is the present value of the surplus amount or residual value after deducting out the full cost of development (GDC) and profit from the sales proceeds (GDV) of the completed development, which is then discounted at an appropriate rate to reflect the inherent risk and holding cost for the period of development to arrive at the current market value. The summary of parameters considered are as follows:</p> <ul style="list-style-type: none"> • GDV – RM1.00 billion • GDC – RM434.76 million • Development period – Approximately 2 years • Prevent value – 8.50% 	<p><u>Discounted Cash Flow method</u> Discounted cash flow analysis over 10-year investment horizon for Empire City Mall in which the Valuer have assumed that the property is sold at the commencement of the terminal year of the cash flow. This form of analysis allows an investor or owner to assess the long-term return that is likely to be derived from a property in such a manner as to attain the desired level of investment return to commensurate with the risk of that asset class.</p> <p>In undertaking this analysis, the Valuer have used a wide range of assumptions for the Empire City Mall including the growth of gross rental revenue together with other potential receivable income along with the expected property expenses during the holding period, projected occupancy and other related expenses.</p> <p><u>Comparison method</u> This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued (i.e. Empire City Mall) is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.</p> <p>The comparison method has considered the comparable values of the following properties:</p>

Valuation Methods

Basis I	Basis II
	Price per square foot (RM)
	Properties
	Empire City Mall 500
	Pavillion Bukit Jalil 702
	Da Men Mall 1,032
	Subang Avenue Shopping Complex 590
	Tropicana City Mall 923
	(now known as 3 Damansara)

Reconciliation of value

In a valuation of a homogeneous real estate such as vacant lands and residential homes, the comparison approach is the most appropriate method of valuation as there are less adjustments and analysis on comparable(s). However, in the case of on-going developments which are under construction, qualitative and quantitative adjustments are more difficult to compute or gauge to reflect the differences (in terms of amount billed and value of work done to-date certified by the relevant consultants). Therefore, the Valuer have considered the income approach by residual method as the most reliable and appropriate method of valuation to derive at its opinion for market value for Basis I.

After taking into consideration that Empire City Mall is a commercial and an income generating property, the Valuer have adopted the market value as derived from the income approach by discounted cash flow method as a fair representation for Empire City Mall supported by the market value derived from the comparison approach.

Kindly refer to **Appendix III** of this Circular for further details of the valuation methodologies adopted by the Valuer in arriving at the above market values of Empire City Mall.

The Proposed Subscription is subject to the terms and conditions of the Subscription Agreement and Shareholders Agreement. Please refer to **Appendix I** and **Appendix II** of this Circular for the salient terms of the Subscription Agreement and Shareholders' Agreement, respectively.

2.1.2 Background information of Alliance Empire

(a) Corporation information, history and business of Alliance Empire

Alliance Empire was incorporated in Malaysia under the Act on 24 June 2021 as the special purpose vehicle for the Collaboration.

(b) Share capital

As at the LPD, the issued share capital of Alliance Empire is RM2.00 comprising 2 ordinary shares.

(c) Substantial shareholders, directors and director's shareholdings

The existing directors of Alliance Empire are Dato' Ng Yee Teck and Dato' Cheah Joi Yong, all of whom are Malaysians. The sole shareholder of Alliance Empire is Alliance Premier. Prior to the completion of the Subscription Agreement, Alliance Premier, Exsim and JT Momentum shall be the shareholders of Alliance Empire.

Set out below are the details of the substantial shareholders, directors and their respective direct and indirect shareholdings in Alliance Empire as at the LPD:

	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>
<u>Directors</u>				
Dato' Ng Yee Teck	-	-		
Dato' Cheah Joi Yong	-	-	-	-
<u>Substantial shareholder</u>				
Alliance Premier	2	100.0	-	-

Upon completion of the Subscription Agreement as well as the additional cash subscription by both Alliance Premier and the EXDJ Shareholders, the shareholders of the enlarged Alliance Empire shall be as follows:

	<u>No. of shares</u>	<u>%</u>
Rubberex	200,000	20.0
Alliance Premier	600,000	60.0
Exsim	135,000	13.5
JT Momentum	65,000	6.50
Total	1,000,000	100.0

(d) Subsidiaries and associated companies

Alliance Empire does not have any subsidiaries or associated companies.

(e) Material commitments

As at the LPD, the Directors of Alliance Empire are not aware of any material commitments contracted or known to be contracted by Alliance Empire that is likely to have an impact on Alliance Empire's profits or net asset value upon becoming enforceable.

(f) Contingent liabilities

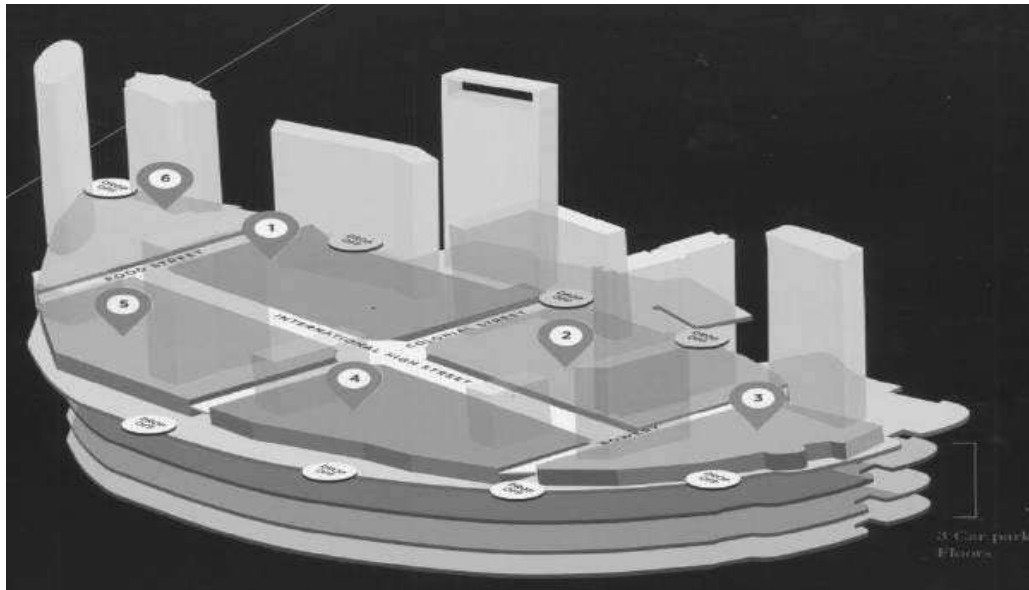
As at the LPD, the Directors of Alliance Empire are not aware of any contingent liabilities incurred or known to be incurred by Alliance Empire, which upon becoming enforceable, may have a material impact on Alliance Empire's profits or NA value.

2.1.3 Background information of Empire City Mall and the overall Empire City development

(a) Empire City Mall

Forming part of the overall Empire City development, Empire City Mall will be an integrated lifestyle commercial development with combination of old and modern architecture styles/designs. Empire City Mall will have a 6 themed zoning and shall create a unique world as each façade design is remarkably distinctive such as The Studio, The Living Room, The Market Place, Luxury Courtyard, Cross Street and High Street Fashion Zone. The retail mix is seamless and complementary, bringing more variety and depth to the overall shopping, dining and leisure experiences.

Upon completion, Empire City Mall will be a retail mall with 2 lower ground levels along with elevated and 3 basement carpark levels together with part of retail area from ground level to level 1 and to level 3 for cinema. Empire City Mall will feature 8 drop off zones and complemented mainly by 3 levels of basement carpark. Empire City Mall shall be segregated into 6 different zones, as follows:



Empire City Mall shall be segregated into 6 different zones across 12 floors, namely The Studio, The Living Room, The Market Place, Luxury Courtyard, Cross Street and High Street Fashion Zone. Details and elaboration are as follows:

Zone	Details	Status of development/ construction
1	: Fashion boutiques, high street fashion zone, woman zone, discovery zone and fitness gym	} Under construction
2	: Market place, luxury zone, woman zone, kids' republic and indoor theme park	
3	: Hotel	
4	: Fashion boutiques, high street fashion zone, woman zone, entertainment zone and home & living	
5	: High street fashion zone, cinema and Olympic-size ice skating rink	
6	: Food street, corporate tower and departmental store	

The proposed retail trade and tenant mix shall comprise anchor (cinema), mini anchor, food and beverage, fashion, services/specialty, edutainment and sports complemented with storage (including ice rink, bowling alleys and basketball court), kiosks and promotion areas.

Further details of the development of Empire City Mall are as follows:

Category	Details
Registered proprietor	: CASB
Proposed strata floor area	: Combined strata floor areas of approximately 222,762.47 sq m (equivalent to approximately 2,397,815 sq ft) and stratified car park parcels with a combined strata floor area of approximately 311,753.05 sq m (equivalent to approximately 3,355,710 sq ft) accommodating 8,572 car park bays, all forming part of an upcoming commercial/retail podium known as "Empire City Mall" within a self-contained integrated mixed-use development collectively identified as "Empire City". In summary, the

Category**Details**

proposed strata floor area shall be approximately 534,515.52 sq m (approximately 5,753,525 sq ft), the breakdown of which are as follows:

	Main Parcel Area		Accessory Parcel Area	
	sq m	sq ft	sq m	sq ft
Retail area	202,420.85	2,178,858	20,341.62	218,957
Carpark	74,306.95	799,840	237,446.10	2,555,870
Total	276,727.80	2,978,698	257,787.72	2,774,827

Proposed net lettable area : 162,471.84 sq m (equivalent to approximately 1,748,848 sq ft) (Note: This includes storage areas, kiosks and promotional areas, but excludes walkway and car park accessory parcel (storage area)). The breakdown are as follows:

	Total Area	
	sq m	sq ft
Retail lots	154,249.57	1,660,343
Storage areas	989.65	10,653
Kiosks	4,214.69	45,367
Promotion areas	3,017.93	32,485
Total net lettable area	162,471.84	1,748,848

The other areas comprising common walkways and carpark accessory parcels shall have combined space of 6,799.52 sq m (equivalent to approximately 73,190 sq ft).

Carparking bays : 8,572 bays across 8 levels, as follows:

- (a) Basement 1 to Basement 3 – 6,532 car parking bays
- (b) Lower ground 1 & 2 – 1,465 car park bays
- (c) Ground level, upper ground level and level 1 – 575 car parking bays

Mechanical and electrical services : Air-conditioning systems (served by centralised chilled water system), mechanical ventilation systems, fire protection systems, passenger lifts, service lifts, escalators, travellers, reinforced concrete staircases, fibre cabling network telecommunication systems, loading docks, closed circuit television cameras and substation.

No. of floors : 12 floors, comprising the following:

Levels	Details
3 basement floors	Carparks, retail lots, mechanical and electrical rooms, store rooms, guardhouse, goods lift lobby, back of house, toilets and staircases
2 lower ground floors	Retail lots, carparking bays, seating areas, mechanical and electrical rooms, store rooms, guardhouse, goods lift lobby, back of house, toilets and staircases
Ground level	Lift lobbies, mall lobby, cinema lobby, retail lots, seating areas, carparking bays, mechanical and electrical rooms, back of house, terraces, toilets and staircases
Upper ground level	Lift lobbies, retail lots, cinema, basketball court, office rooms, carpark office, car parking bays, mechanical and electrical rooms, back of house, toilets, surau, staircases and balcony
Upper ground mezzanine	Bowling alleys, kitchen, clockroom, back of house, toilets and staircases

Category	Details
Level 1	Lift lobbies, retail lots, cinema, carparking bays, mechanical and electrical rooms, back of house, toilets and staircases
Level 1 mezzanine, level 2 and level 3	Lift lobbies, function halls, concession counters, kitchen, cold room, store room, toilets, staircases, conference rooms/areas, cinema, mechanical and electrical rooms, back of house, toilets and staircases
Tenancy and occupancy status	: Presently, the total areas occupied within the Empire City Mall is 8 units occupying approximately 8,652 sq ft on the ground and basement 2 floors, comprising mainly food and beverage operators as well as convenience stores. In addition, Exsim Development Sdn Bhd is currently occupying the retail space of 44,750 sq ft on the Ground Floor in Zone 5, which is currently used as the showroom/sales gallery of its property development projects. This represents approximately 3.10% of the total areas occupied within the Empire City Mall. Save as disclosed above, there are no other units within Empire City Mall that have been tenanted.
Date of commencement of construction	: June 2011. Due to the scale of development of the entire Empire City, the development of Empire City Mall has faced delays as CASB had focused its financial resources towards completing the surrounding towers (comprising of studio units, office blocks and hotel buildings) within Empire City as well as related infrastructure works.
Expected date of completion	: Third quarter of 2023, with targeted opening by the 1 st quarter of 2024
Percentage of completion (as at 1 December 2021)	: 83.00%

The development of Empire City Mall is currently undertaken on the Land, details of which are as follows:

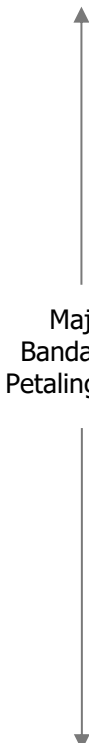
Category	Details
Land title	: Lot 90573 held under Master Title No. PN116964 (formerly known as part of Parent Lot 86342 and Lot 72082 held under Master Title No. PN 95202 and PN 108871, respectively), Mukim Sungai Buloh, District of Petaling, Selangor Darul Ehsan
Description of Land	: Parent lot 90573 is a parcel of commercial land, near oval in shape with a surveyed land area of 9.536 hectares (equivalent to 23.56 acres or 95,360 sq m). The Land sites are generally multi-tiered with its western boundary lies at about the same level as Lebuhraya Damansara Puchong and thereafter descending gradually towards its eastern boundary
Tenure of land	: Leasehold interest for a term of 99 years expiring on 8 June 2104
Category of land use	: Building
Express condition	: Commercial building
Size	: 9.536 hectares
Encumbrances	: (a) Charged to Ambank vide presentation number 83880/2010, registered on 12 August 2010 (b) Charged to Ambank vide presentation number 125437/2012, registered on 27 November 2012

Category	Details
	(c) Charged to Ambank vide presentation number 125438/2012, registered on 27 November 2012
	(d) Charged to Ambank vide presentation number 35381/2014, registered on 4 April 2014
	(e) Charged to Ambank vide presentation number 104459/2015, registered on 7 October 2015

Registered proprietor : CASB

Restriction in interest : This land may not be transferred, leased or mortgaged except with the express permission of the State Authority

As at the LPD, CASB has obtained the following approvals required for the development of Empire City (including Empire City Mall):

Dates	Approving authority	Nature of approval(s)
13 March 2015	 <p>Majlis Bandaraya Petaling Jaya</p>	<ul style="list-style-type: none"> • Planning approval for the revised development for 3 blocks of hotel, 8 blocks of corporate offices sited atop an 8-storey retail podium and car park with 2 lower ground levels of retail, banquet facilities and car park together with 3 levels of basement car park
7 September 2015 and 22 March 2019		<ul style="list-style-type: none"> • Building plan approval for the basement car park levels, lower ground levels, ground level to level 1
26 October 2015 and 22 March 2019		<ul style="list-style-type: none"> • Building plan approval for ground level to level 1 of the Zone 2 podium
31 December 2015 and 14 May 2019		<ul style="list-style-type: none"> • Building plan approval for parts of the ground level of Zone 3 retail podium
4 January 2016 and 21 March 2019		<ul style="list-style-type: none"> • Building plan approval for the ground level and upper ground level of Zone 4 retail podium
5 February 2016 and 24 September 2019 19 February 2016 and 8 April 2019		<ul style="list-style-type: none"> • Building plan approval for the ground level and level 3 of Zone 5 retail podium • Building plan approval for the ground level and part of the upper ground level of the Zone 6 retail podium
13 April 2016	Lembaga Arkitek Malaysia	<ul style="list-style-type: none"> • Partial Certificate and Completion and Compliance for basement 2 car park

(b) Empire City

Empire City is a 23-acre self-contained integrated lifestyle mixed-use development located along the Lebuhraya Damansara Puchong. The entire self-contained development of Empire City, the city of lifestyle and entertainment is being developed in phases and will feature the following:

- (a) an interconnected retail area known as Empire City Mall with more than 1.75 million sq ft of retail shopping space, an Olympic-size ice skating rink, lifestyle cinema, carparks and other amenities;

- (b) 5 towers comprising 2,288 units of studios, SoHo and office suites with a total built-up area of 1,680,364 sq ft;
- (c) 3 hotel towers which include an upper scale international chain of hotels, comprising:
 - (i) 18 stories of upper-scale international hotel known as “The Marriott”;
 - (ii) 29 stories of hotel suite; and
 - (iii) 18 stories of boutique hotel.
- (d) 4 corporate office towers and service suites with a total built up area of approximately 1,360,076 sq ft of corporate office spaces.

An overview of Empire City is as follows:



Empire City is currently accessible via Lebuhraya Damansara Puchong from the north and south bound. Once completed, Empire City will be connected via a network of new ramps and road links connections to enhance accessibility. Empire City is well connected to its surrounding localities of Desa Park City, Sunway SPK, Country Heights Damansara, Mutiara Damansara, Bandar Utama and Taman Tun Dr Ismail. The immediate neighbourhood of Empire City is surrounded by the ongoing township of Damansara Perdana and the Segambut Malay Reserve areas with an established network of highways (namely Lebuhraya Damansara Puchong, Penchala LINK, SPRINT and upcoming Damansara-Shah Elevated Expressway (DASH)). Upon completion, Empire City will have a direct access tap onto DASH to improve its traffic circulation, which have achieved 96.76% completion as of October 2021 (Source: DASH official website at <https://www.mydash.com.my/project-overview/>) and are expected to be fully completed by the end of 2021 (Source: <https://www.prolintas.com.my/turnpike-synergy/>). The PJ Trade Centre comprising 4 blocks of offices is located directly opposite to the west of Empire City while the Segambut and Sungai Penchala Malay Reserve areas are located to the east and south-east, respectively.

Completed developments in the immediate surrounding include Flora Damansara, Metropolitan Square, Armanee Terrace, Ritze Perdana 2, Neo Damansara and Menara OBYU (a 19 storey dual compliant Grade A corporate office tower previously known as Point 92). Also, within this locality of Damansara Perdana is the completed mixed-use Empire Damansara development, featuring components such as Empire SOHO 1 and SOHO 2, Empire Studio and Empire Detached Office. Empire City is surrounded by established residential and commercial development. It lies within a 5-minute drive to popular townships and developments of Taman Tun Dr Ismail, Bandar Utama, Mutiara Damansara, Damansara Utama, Kota Damansara, Desa Park City and Mont Kiara. A wide range of retail cum commercial facilities and amenities are available within the wider neighbourhood such 1 Utama Shopping Centre, The Curve, IPC Shopping Centre, IKEA, Sunway Giza, Tropicana Gardens Mall and 3 Damansara (formerly known as Tropicana City Mall).

2.1.4 Original cost of investments

The development cost incurred for Empire City Mall by CASB up to the date of the LPD is RM507.21 million.

2.1.5 Information of the proposed shareholders of Alliance Empire

Information on Alliance Premier

Alliance Premier was incorporated in Malaysia under the Act on 6 January 2021. Alliance Premier is principally an investment holding company.

As at the LPD, the issued share capital of Alliance Premier is RM1,000.00 comprising 1,000 ordinary shares. Presently, Alliance Premier does not have any subsidiary or associate company. The existing directors of Alliance Premier are Dato' Ng Yee Teck and Dato' Cheah Joi Yong. The shareholders and their shareholdings held in Alliance Premier are as follows:

<u>Names</u>	<u>No. of ordinary shares</u>	<u>%</u>
Eastson Capital Sdn Bhd ⁽¹⁾	280	28.0
Eastson Holdings Sdn Bhd ⁽²⁾	520	52.0
CJY & Sons Holdings Sdn Bhd ⁽³⁾	200	20.0
Total	1,000	100.00

Notes:

- (1) The Directors of Eastson Capital Sdn Bhd are Dato' Ng Yee Teck and Chew Lei Si. The shareholders of Eastson Capital Sdn Bhd are as follows:

<u>Names</u>	<u>No. of ordinary shares</u>	<u>%</u>
Dato' Ng Yee Teck	60	60.0
Chew Lei Si	40	40.0
Total	100	100.0

- (2) The Directors of Eastson Holdings Sdn Bhd are Dato' Ng Yee Teck and Datin Lew Siew Ting. The shareholders of Eastson Holdings Sdn Bhd are as follows:

<u>Names</u>	<u>No. of ordinary shares</u>	<u>%</u>
Dato' Ng Yee Teck	60	60.0
Datin Lew Siew Ting ⁽ⁱ⁾	40	40.0
Total	100	100.0

Note:

- (i) Datin Lew Siew Ting is the spouse of Dato' Ng Yee Teck.
- (3) The Directors of CJY & Sons Holdings Sdn Bhd are Dato' Cheah Joi Yong, Datin Chan Li Li, Julian Cheah Yun Sheng, Jarod Cheah Yen Sheng. The shareholders of CJY & Sons Holdings Sdn Bhd are as follows:

<u>Names</u>	<u>No. of ordinary shares</u>	<u>%</u>
Dato' Cheah Joi Yong	50	50.0
Datin Chan Li Li ⁽ⁱ⁾	30	30.0
Julian Cheah Yun Sheng ⁽ⁱⁱ⁾	10	10.0
Jarod Cheah Yen Sheng ⁽ⁱⁱ⁾	10	10.0
Total	100	100.0

Notes:

- (i) Datin Chan Li Li is the spouse of Dato' Cheah Joi Yong.
- (ii) Julian Cheah Yun Sheng and Jarod Cheah Yen Sheng are the children of Dato' Cheah Joi Yong.

Information on Exsim

Exsim was incorporated in Malaysia under the Companies Act, 1965 on 2 April 2014 under the name Exsimas S13 Sdn Bhd. It subsequently changed to its present name on 2 July 2018. Exsim is an investment holding company, whilst its subsidiary and associate companies are as follows:

Subsidiary/Associate companies	Principal activities	Effective interest held (%)
Kalumpang Sawmill Sdn Bhd	Dormant	51.0
Magnus Games Studio Sdn Bhd	Computer games for all platforms	40.0
Velocity Channel Sdn Bhd	Event management, promotions and organisation	20.0

As at the LPD, the issued share capital of Exsim is RM1,000 comprising 1,000 ordinary shares. The existing directors of Exsim are Lim Aik Hoe, Lim Aik Kiat and Lim Aik Fu. The shareholders and their shareholdings held in Exsim are as follows:

Names	No. of ordinary shares	%
Lim Aik Hoe	375	37.5
Lim Aik Kiat	375	37.5
Lim Aik Fu	250	25.0
Total	1,000	100.0

Information on JT Momentum

JT Momentum was incorporated in Malaysia under the Act on 13 September 2021. JT Momentum is principally an investment holding company. As at the LPD, the issued share capital of JT Momentum is RM1.00 comprising 1 ordinary share. JT Momentum does not have any subsidiary or associate company. The existing sole director and shareholder of JT Momentum is Datuk Tan Kak Seng.

2.1.6 Information of CASB

CASB was incorporated in Malaysia under the Companies Act, 1965 on 2 February 2010. CASB is principally involved in general tradings, acquisition of lands, houses, running of contracting business, real property and housing developer and all types of engineering works, and is presently the registered proprietor of the Empire City.

As at the LPD, the issued share capital of CASB is RM2,300,000 comprising 2,300,000 ordinary shares. The existing directors of CASB are Dato' Ng Yee Teck and Dato' Cheah Joi Yong. The shareholders and their shareholdings held in CASB are as follows:

Names	No. of ordinary shares	%
MEH	2,299,998	99.9
Dato' Ng Yee Teck	1	*
Dato' Cheah Joi Yong	1	*
Total	2,300,000	100.0

Note:

* Negligible.

The Directors and shareholders of MEH are Dato' Ng Yee Teck and Dato' Cheah Joi Yong. Their respective shareholdings in MEH are as follows:

<u>Names</u>	<u>No. of ordinary shares</u>	<u>%</u>
Dato' Ng Yee Teck	1,600,000	80
Dato' Cheah Joi Yong	400,000	20
Total	2,000,000	100.0

2.1.7 Basis and justification on arriving at the Subscription Price

The Subscription Price was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:

- (a) the market value of Empire City Mall as ascribed by Knight Frank of RM1.00 billion at the CCC Stage basis using the income and comparison methods of valuation. This market value was adopted as the proceeds of the Proposed Subscription will be used towards the completion of the construction and development of the Empire City Mall;
- (b) the rationale and benefit for the Proposed Subscription (as set out in Section 3 of this Circular); and
- (c) the risk profile, future prospects, potential and growth of Empire City Mall after taking into consideration the outlook and its future prospects as set out in Section 4 of this Circular;

The Company has appointed FHCA to undertake the evaluation of the fair market value of the entire equity interest of Alliance Empire pursuant to the Proposed Subscription. Based on the assessment made by FHCA, the valuation of the entire equity interest in Alliance Empire amounts to RM940.0 million using the RNAV. As such, the fair value of the Proposed Subscription by Rubberex is RM188.0 million. The RNAV computation of the entire equity interest in Alliance Empire is as follows:

	<u>RM'000</u>
Net asset of Alliance Empire ⁽¹⁾	479,997
Adjustments:	
Proceeds from Proposed Subscription ⁽²⁾	270,000
Fair value adjustment arising from revaluation of Empire City Mall ⁽³⁾	250,000
Less:	
Deferred tax liabilities attributable to the fair value of asset ⁽⁴⁾	<u>(60,000)</u>
RNAV of Alliance Empire⁽⁵⁾	<u>939,997</u>
Value of the 20% equity interest to be subscribed by Rubberex in Alliance Empire	<u>187,999</u>

Notes:

- (1) Based on the management accounts of Alliance Empire as at 30 September 2021, including the acquisition of Empire City Mall, as part of a series of transactions to be undertaken as part of the Collaboration as described in Section 2.1.1 of this Circular, at the value of RM480.0 million. As such, FHCA has assumed, without amendments, that the value of Alliance Empire shall be the NA within Alliance Empire inclusive of the acquisition value of Empire City Mall of RM480.00 million as long as the Proposed Subscription is completed within a reasonable timeframe.
- (2) Amounts due from shareholders of Alliance Empire pursuant to the terms of the Shareholders' Agreement.

- (3) Adjustments were made based on the carrying value of the Empire City Mall of RM480.00 million, the proposed market value of Empire City Mall at RM1,000,000,000 as ascribed by Knight Frank vide its valuation report dated 1 October 2021 as well as the estimated cost to complete the construction of the Empire City Mall amounting to RM270.0 million. The breakdown of the fair value adjustments made is as follows:

	<u>RM'million</u>
Revaluation of Empire City Mall	1,000
Less:	
Net asset value of Alliance Empire	480
Estimated cost to complete the mall as per the management of CASB	<u>270</u>
Fair Value adjustment	<u>250</u>

- (4) Based on 24% corporate rate of the fair value adjustment of Empire City Mall accounted for as deferred tax liability in anticipation of taxable future economic benefits to be generated from the disposal of the asset.
- (5) There are no contingent liabilities or accumulated losses in Alliance Empire as at 30 September 2021.

The Subscription Price represents a discount of RM8.0 million or 4.44% to the value of the 20% equity interest to be subscribed by Rubberex in Alliance Empire of RM188.0 million (based on the evaluation by FHCA).

Based on the above considerations, the Board is of the opinion that the Proposed Subscription is fair. The Board has taken note of the evaluation of the fair market value of the entire equity of Alliance Empire by FHCA. Please refer to **Appendix IV** of this Circular for the evaluation report prepared by FHCA.

2.1.8 Source of funding

The Subscription Price will be funded via internally generated funds and/or bank borrowings. The exact mix of the sources of funding will be decided by the management at a later stage after taking into consideration, amongst others, the gearing levels, interest costs and cash reserves of the Group as well as the prevailing market conditions.

2.1.9 Liabilities to be assumed by Rubberex

Save for the obligations and liabilities of Rubberex arising from or in connection with the Subscription Agreement and Shareholders' Agreement, there are no other liabilities, including contingent liabilities and/or guarantees of the Alliance Empire to be assumed by Rubberex pursuant to the Proposed Subscription.

2.1.10 Additional financial commitments

Save as disclosed below, the Company does not expect to incur any other financial commitment arising from the Proposed Subscription:

- (a) Pursuant to the Shareholders' Agreement, within 12 months after the issuance of the CCC of the Empire City Mall or such other period as may be mutually agreed, the shareholders of Alliance Empire shall contribute such additional amounts not exceeding RM100,000,000 in total and at such times as may be required ("**Additional Funding**") to Alliance Empire in their respective shareholdings' proportions held in Alliance Empire by way of shareholders' advances to be utilised for the following purposes:

No.	Details	RM'000
(i)	Operational and promotional activities of Empire City Mall	36,000
(ii)	Pre-opening and launching activities	10,000
(iii)	Tenant's fit out contribution	54,000
Total		100,000

In this respect, Rubberex expects to fund its respective contribution under the Additional Funding (i.e. up to RM20.0 million) via internally generated funds and/or bank borrowings, the breakdown of which has not been determined at this juncture.

2.2 Proposed Diversification

Rubberex Group is an investment holding company with its subsidiaries principally involved in the manufacturing and sales of household and industrial gloves as well as nitrile disposable gloves.

Upon the completion of the Proposed Subscription, the business of Rubberex Group will be diversified into property investment including investment in shopping malls. This would thus allow Rubberex Group to venture into new areas and viable businesses as part of a longer term plan to move Rubberex Group forward. The Proposed Diversification shall potentially provide the Group with another stream of income, thus diversifying the earnings base, which may in turn improve shareholders' value in the long term. However, Rubberex shall not be involved in the day-to-day management of Alliance Empire, which shall be Alliance Premier's responsibility.

Upon completion of the Subscription Agreement, the Board anticipates that the Proposed Subscription may potentially contribute 25% or more of the net profits of Rubberex Group and/or result in a diversion of more than 25% of the NA of Rubberex Group.

In accordance to Paragraph 10.13(1) of the Listing Requirements, Rubberex must obtain the prior approval of its shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:

- (a) the diversion of 25% or more of the NA of the Group to an operation which differ widely from the operations currently carried on by the Group; or
- (b) the contribution from such an operation of 25% or more of the net profits of the Group.

In this regard, the Board wishes to obtain the approval of the shareholders of Rubberex for the Proposed Diversification pursuant to the Listing Requirements. If the Proposed Diversification is approved by the shareholders at the EGM, the Group will be subjected to new challenges and risks arising from the Proposed Diversification, which are set out in Section 5 of this Circular. Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing business in the same manner.

Although the Group does not have any historical track record in property investment including investment in shopping malls activities, the Board believes that the Group has the capability and resources to diversify into this business segment by leveraging on the experience and expertise of Rubberex's Directors. In this respect, the Proposed Diversification will be spearheaded by Lim Chee Lip who is presently the Non-Independent Executive Director of Rubberex. However, the appointment of Lim Chee Lip as the nominated Director of Rubberex on the board of Alliance Empire shall be decided by the Board of Rubberex in due course.

His profile is set out below:

Lim Chee Lip

Lim Chee Lip, aged 34, male, a Malaysian, is the Non-Independent Executive Director of the Company and was appointed to the Board on 28 August 2020. Lim Chee Lip holds a Master in Construction Law and Arbitration (LLM) and Bachelor Degree in Quantity Surveying from Robert Gordon University, United Kingdom. Lim Chee Lip is a member of the Chartered Institute of Arbitrators in the United Kingdom and Malaysia. He has more than 10 years of professional working experiences in the United Kingdom, Middle East and Asia, in the areas of Dispute Resolution, Contract Management, Corporate Finance and Advisory. Upon graduation, he worked for Stewart Milne Group Limited and Hill International Inc., one of the largest public-listed consulting firms listed in the United States of America. Over the years, he has also accumulated vast corporate management experiences including directing, strategic planning and expansion of various private and public companies in Malaysia. Such experiences include the following roles:

- (a) overseeing and managing all aspects of the contractual and financial side of construction projects undertaken. This also includes preparation of construction cost budgets, project implementation schedules as well as cost estimation budgets;
- (b) overseeing the contractual and legal obligations of various infrastructure projects undertaken; and
- (c) undertaking contract and project management for the construction and development of various infrastructure projects in the Americas, Europe and Asia

3. RATIONALE AND BENEFITS OF THE PROPOSALS

Rubberex Group has established itself as a manufacturer and exporter of rubber gloves in the international market since 1988. The COVID-19 pandemic outbreak since 2020 has brought about exceptional revenue and record profits to Rubberex Group, as a result of the robust demand for rubber gloves and heightened safety awareness globally. With a solid track record in business management, strong cash reserves and support from its major shareholder, Rubberex Group is poised to enter its next phase of growth and development.

In line with Rubberex Group's objective and strategy to deliver sustainable growth and value creation to the shareholders of Rubberex, the Proposals will enable Rubberex Group to venture into the property investment including investment in shopping malls to diversify and supplement its future income stream. This is also in anticipation that the demand and growth of the rubber gloves industry is expected to taper down in the next few years in view that the global economy is entering the endemic phase of the COVID-19 pandemic outbreak with the rollout of vaccines and the progressive recovery phase of the Malaysian economy, especially in the retail and commercial industry.

The Proposed Subscription is the first investment outside of the core business activities of Rubberex in the rubber glove industry to be considered by the Board. The Proposed Subscription aims to achieve the following:

- (a) provide the Group with regular and stable income stream as well as to achieve potential long-term growth upon completion and commencement of operations of the Empire City Mall through a diversification from rubber gloves manufacturing activities; and
- (b) enable the Group to diversify into the property investment including investment in shopping malls via strategic foothold in a sizable mixed property development project.

Based on the above considerations, the Board believes that Rubberex's maiden participation in the property sector via its investment in the development and operations of Empire City Mall would contribute positively to its future earnings and market position of Rubberex Group. The

potential additional contributions from the operations of Empire City Mall are expected to improve the Group's profitability and returns on shareholders' funds in the long term.

At this juncture, the Group has not identified any other potential property investments. Going forward, the Group may also explore investment opportunities in other industries including potential mergers, acquisitions and/or joint ventures, as part of the Company's continuing efforts to expand its revenue and cash flow to improve the Group's financial position.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020.

Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

On the sectoral front, double-digit growth was recorded across most economic sectors in the second quarter of 2021. The services sector expanded by 13.4% (1Q 2020: -2.3%). Growth was supported by a nascent recovery in consumer related activities in April and May 2021. This was, however, partially reversed by the re-imposition of restrictions on non-essential retail activities, dine-ins and inter-district and inter-state travel. Meanwhile, the information and communication subsector continued to benefit from rising demand for e-commerce and e-payment activity, as well as remote working and learning arrangements. Additionally, strong double-digit growth was recorded in the finance and insurance subsector, attributed to higher fee income, sustained loan and deposit growth, and higher net insurance premiums less claims.

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for E&E products, continued to remain robust. Private consumption growth increased by 11.6% during the quarter (1Q 2021: -1.5%), following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of FMCO. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the EPF i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer expenditure.

Public consumption expanded by 9.0% (1Q 2021: 5.9%), mainly on account of higher spending on supplies and services. Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), recorded a sharp increase to 4.1% during the quarter (1Q 2021: +0.5%), driven mainly by transitory factors. In particular, as expected, the elevated headline inflation was largely due to base effects from the low domestic retail fuel prices last year, as well as the lapse in the effect from the tiered electricity tariff rebate.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly

for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0 – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand.

(Source: Quarterly Bulletin 2Q 2021, Bank Negara Malaysia)

In 2021, the economy is projected to expand between 6.5% and 7.5% in tandem with the anticipated improvement in global trade, consumer sentiments and business confidence. The 2021 Budget will implement measures to enhance the well-being of the people, steer the economy towards a sustainable growth path, enable sustainable living and improve public service delivery. As targeted in the 12MP and the 2030 Shared Prosperity Vision, the Budget will lay the foundation for the country to progress towards a developed and inclusive nation.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

4.2 Overview and prospects of property market in Malaysia

The property market performance recorded a significant increase in the first half of 2021 (“**H1 2021**”) compared to the same period last year (“**H1 2020**”). A total of 139,754 transactions worth RM62.01 billion were recorded, showing an increase of 21.0% in volume and 32.1% in value compared to the same period last year. Volume of transactions across the sub-sectors showed upward movements. Residential, commercial, industrial, agriculture and development land sub-sectors recorded year-on-year growths of 22.2%, 28.5%, 29.4%, 13.9% and 21.3%, respectively.

Value of transactions moved in tandem with residential, commercial, industrial, agriculture and development land sub-sectors recorded growths of 34.7%, 28.4%, 19.8%, 33.1% and 40.6% respectively. The residential sub-sector led the overall property market, with 65.8% contribution. This was followed by agriculture sub-sector (18.9%), commercial (7.5%), development land and others (5.9%) and industrial (1.8%). In terms of value, residential took the lead with 55.6% share, followed by commercial (17.6%), industrial (10.4%), agriculture (8.9%) and development land and others (7.4%).

Commercial property

There were 10,433 transactions worth RM10.93 billion recorded, up by 28.5% in volume and 28.4% in value compared to the same period last year. All states recorded more market activity in the review period except for Wilayah Persekutuan Putrajaya and Pahang. In terms of transaction value, five states recorded contraction but the increase in Selangor (40.3%), Kuala Lumpur (47.6%) and Johor (18.3%) led to the overall increase in the sub-sector.

Selangor contributed the highest volume and value to the national market share, with 26.3% in volume (2,741 transactions) and 30.8% in value (RM3.37 billion); followed by Wilayah Persekutuan Kuala Lumpur with 13.0% in volume (1,359 transactions) and 28.2% in value (RM3.08 billion) and Johor with 13.5% in volume (1,410 transactions) and 11.6% in value (RM1.27 billion).

Shopping complex

The review period recorded eight commercial complex transactions with an accumulative worth of RM0.88 billion - one each in Johor, Negeri Sembilan, Kedah and Sarawak, and four in Selangor. Among the major sales are as listed below:

No	State	Lot / Name of Property	Location/ Mukim/ Daerah	Transaction Year	Consideration (RM)
1.	Selangor	PT4371/ Ampang Point Mall	Jalan Mamanda 3/ Ampang/ Hulu Langat	2020	300,000,000
2.	Selangor	PT128899/ Giant Kg Jawa	Kelang/Klang	2020	30,500,000
3.	Selangor	PT33924/Giant	Pekan Cheras/Hulu Langat	2021	72,100,000
4.	Johor	Lot 150722/ Mydin Mutiara Rini	Taman Mutiara Rini, Pulau/Johor Bahru	2020	221,104,148
5.	Negeri Sembilan	LOT 20871/ Seremban Prima Mall	Dato Bandar Tu/ Seremban	2019	30,000,000
6.	Sarawak	Lot 13967/ Eco Mall, Petrajaya	Jalan Semariang/ Kuching	2020	38,000,000

The performance of shopping complex moderated in H1 2021, with the national occupancy rate saw a slight decline at 76.6% as compared to H1 2020 (78.6%). There were 16.93 million sq m of existing retail space recorded, increased from 16.77 million sq m as recorded in H1 2020. Wilayah Persekutuan Kuala Lumpur and Selangor recorded 81.6% and 78.8% occupancy rate respectively, whereas Johor and Pulau Pinang managed to secure an average occupancy of 73.4% and 72.2% respectively. Meanwhile, Negeri Sembilan and Melaka recorded lowest occupancy rate at 66.3% and 63.3%, respectively.

On the development front, construction activities recoderd a sharp decline for completions and starts. The sole completion recorded in H1 2021 was contributed by the extension of Setia City Mall, Shah Alam (21,363 sq m), while starts saw two buildings with a total retail space of 32,886 sq m. There were another 47 complexes (1.94 million sq m) in the incoming supply and with another 10 complexes (0.34 million sq m) in the planned supply. Wilayah Persekutuan Kuala Lumpur dominated the incoming supply at 33.2%, followed by Selangor at 24.6% (478,097 sq m) and Pulau Pinang at 20.2% (69,069 sq m) in planned supply.

Rentals of retail space were generally stable. Suria KLCC continued to earn the highest monthly rentals, ranged from RM393 per sq m up to as high as RM2,302 per sq m. At the concourse level, a slight increase between 3.6% to 5.8% were recorded. In Shaftsbury Putrajaya, some retail spaces experienced a rental decrease between 6.4% to 10.3%. In Selangor, rents of retail space were generally stable for most shopping complexes except for Subang Parade and Sunway Pyramid. Ground floor of Subang Parade and first floor of Sunway Pyramid recorded growth of 5.6% and 5.8% respectively with monthly rents between RM129 per sq m to RM251 per sq m and RM392 per sq m to RM631 per sq m.

(Source: Property Market Report, First Half 2021, Valuation and Property Services Department of Malaysia, Ministry of Finance, Malaysia)

The acceleration of the National COVID-19 Immunisation Programme and the ability to achieve National Recovery Plan threshold across the states will see the reopening of more economic and social sectors in the fourth quarter of 2021. Supported by the implementation of various government initiatives and assistance, the property market is expected to be on the recovery path in line with the gradual economic recovery.

The COVID-19 pandemic continues to be the underlying factor impacting recovery of the country's retail industry as the COVID-19 infections showed no signs of abating despite the national roll-out of vaccines beginning 24 February 2021. The spike in positive coronavirus cases has led to the re-imposition of MCO 2.0 in January 2021, followed by MCO 3.0 and full lockdown (FMCO) since May 2021. The country's gross domestic product growth for 2021, which was previously projected at between 6.0% and 7.5%, has been revised downwards to range between 3.0% and 4.0% due to the adverse impact of the prolonged strict containment measures on the various economic sectors.

The reopening of the economy is expected to be gradual as vaccination drive ramps up under the four-phase National Recovery Plan (NRP). To date, the government has launched multiple economic stimulus packages totalling RM580.0 billion to mitigate the impact of the COVID-19

pandemic outbreak. The latest aid, namely PEMULIH worth RM150.0 billion, was unveiled on 28 June 2021 to ease financial and economic damages on the economy.

The prolonged strict containment measures on the various economic sectors have led to growing concern of increasing retail closures amid accumulating debts and decreasing revenues of business owners / retailers. However, there may be windows of opportunity for retailers amid the pandemic-riddled economy, supported by record low interest rate environment and attractive leasing packages from landlords in the form of fit-out, rent-free periods, financial assistance, or marketing assistance.

In the short to mid-term, rental and occupancy levels in Klang Valley's retail market are expected to experience further pressure as demand continues to weaken amid shrinking pool of retailers following adverse impact of the COVID-19 pandemic. Spurred by changing consumer preference, we continue to see openings and expansions of selected business segments including grocery, convenience store and home improvement. The steady rise in discount stores, also known as RM2 stores such as Eco-shop and Mr Dollar signify consumer gravitation towards affordable and value-for-money products amid consumers' declining disposable income and purchasing power. The new norm, brought upon by the pandemic, is set to have lasting impact - bringing security, health and hygiene to the forefront. Retail premises are expected to continuously embrace strict standard operating procedures to instil confidence in shoppers. The booming e-commerce business appears to be a silver lining consequential to the pandemic. With no end to the pandemic in near sight, retailers and stakeholders continue to enhance their omnichannel strategies to provide consumers with a seamless shopping experience, in which physical and digital platforms not only co-exist but complement one another.

Following the rise in popularity of convenience services such as home delivery, click-and-collect/buy-online-pickup-in-store (BOPIS), drive-through pickup, personal shoppers, etc., investment in digitalisation and automation is likely to accelerate. Amid the rising number of sporadic COVID-19 infections within the community, the adoption of technological innovation in retail will create a convenient yet safe retail experience, reassuring consumers.

(Source: Valuation report dated 1 October 2021 prepared by Knight Frank)

4.3 Future prospects of Rubberex Group

Notwithstanding the Proposed Diversification, the Group will continue to focus on its nitrile disposable gloves business and believes that the strong market demand for rubber gloves and other personal protective equipment shall prevail amidst heightened safety and hygiene awareness among the global population.

Rubberex is in the midst exploring for an expansion plan to increase its production capacity and had acquired 2 parcels of leasehold land located at Lahat, Kinta district, Perak for the construction of a new nitrile disposable glove production plant. This will be the Group's third nitrile disposable glove production plant and is expected to increase the Group's gloves production capacity by an additional 7.5 billion pieces annually to 10.0 billion pieces annually, from the current capacity of 2.5 billion pieces per annum.

Premised on the above, the Board is optimistic of the future prospects of the Group moving forward.

4.4 Overview and prospects of the Empire City Mall

In terms of locality, Empire City Mall, alongside Empire City, will be one of the most largest retail shopping destinations in Klang Valley, particularly within the Petaling Jaya area, as it is poised to become a preferred one-stop retail centre in Klang Valley, housing various well-known brands for shopping, dining and entertainment under-one roof, catering to both locals and tourists. With the improving COVID-19 pandemic situation coupled with reopening of international borders and resumption of global travel, Empire City is expected to be a popular destination for both locals and business travellers with much to offer in terms of corporate

office buildings, prime business suites, residential units, prime retail centres and prestigious international class hotels.

Forming part of the overall Empire City development, Empire City Mall will be an integrated commercial development with a combination of old and modern architectural styles. In addition, Empire City Mall will have a proposed net lettable area of approximately 1.75 million sq ft, making it one of the largest shopping malls in Klang Valley. Empire City Mall will have 6 themed zones, each with its own unique shopping experience as each façade design is remarkably distinctive such as *The Studio, The Living Room, The Market Place, Luxury Courtyard, Cross Street, High Street Fashion Zone and others*. The retail mix is planned to be seamless and complementary, bringing variety, depth and vibrancy to the overall shopping, dining and leisure experience, thus reaching out to a wider audience.

Empire City is easily accessible from all over Klang Valley through a network of well-connected expressways and also accessible by multiple modes of public transportations. As the area has good connectivity with other urban and suburban residential, commercial and industrial hubs surrounding Klang Valley, it is anticipated that Empire City Mall's prime location will be able to attract big name tenants and brand names as part of its retail mix.

Empire City Mall's architectural concept of 6 distinct zones are planned out to meet and fulfil the various and different shopping needs of consumers. In addition, connectivity to Empire City Mall will be enhanced with the completion of ramps and access roads to be constructed from a multitude of entry points of various upcoming expressways (such as Lebuhraya Damansara Puchong, DASH, Penchala LINK and SPRINT Highway).

Rubberex expects the future prospects of Empire City Mall to be positive in view of its attractive propositions, namely strategic location, accessibility, unique architecture, varied and dynamic product and experience mix, once completed. These attributes are key to attracting tenants and maximising shopper traffic to Empire City Mall, and potentially entice other investors to invest in multiple different components of Empire City as well, which will further elevate the overall standing and financial position of Empire City Mall.

Based on the above considerations, the Company is confident that it can leverage on these factors to mitigate the risk of declining occupancy rates as well as the uniqueness and attractiveness of the Empire City Mall to drive demand for tenancies and attract shoppers alike to visit. In addition, Empire City Mall's opening timeframe by the first quarter of 2024 will allow sufficient time to alleviate the pressure of declining occupancy as the COVID-19 pandemic is expected to eventually enter into the endemic stage.

(Source: Management of Rubberex)

5. RISK FACTORS

The Proposals will be subjected to the following risks:

(a) Failure to complete the Subscription Agreement and Shareholders' Agreement

The completion of the Proposed Subscription is subject to, among others, the fulfilment of the conditions precedent of the Subscription Agreement and Shareholders' Agreement. The Proposed Subscription may not be completed if any of the conditions precedent cannot be fulfilled and/or waived, as the case may be, within the stipulated timeframe. Any delay in the fulfilment of the conditions precedent of the Subscription Agreement and Shareholders' Agreement may lead to a delay in the completion and/or termination of the Proposed Subscription.

To mitigate such risk, the Company will take reasonable steps to ensure and/or procure that the conditions precedent of the Subscription Agreement and Shareholders' Agreement are fulfilled within the stipulated timeframe and that every reasonable effort

is made to fulfil the conditions precedent in order to complete the Proposed Subscription in a timely manner.

In addition, under the terms of the Proposed Subscription, Rubberex has certain rights to exit its investment in Alliance Empire through amongst others, the exercise of option to sell the investment to Alliance Premier or through the sale of the Empire City Mall. In the event Alliance Premier is not able to fulfil its obligations or the sale of the Empire City Mall cannot be concluded in a timely manner, we may experience a delay in recovery of our investments in Alliance Empire. Rubberex shall closely monitor the developments progress of the Empire City Mall and the state of the property market in order to mitigate this risk.

(b) Business risks

The Group may face the risk that the returns from the Proposed Subscription may not generate the expected return due to various factors, amongst others, increased in development and/or construction costs, delay in completion of Empire City Mall, inability to secure adequate funding and a ready market would not be available for the developed units in the Empire City Mall, increased competition from other retail properties, loss of key tenants or a significant number of tenants, non-renewal of tenancies following expiry and Alliance Empire's ability to collect rental on a timely basis. Further, shopping malls may face increased competition from online shopping with the entrance of online shopping websites, retailers launching online malls and retailers embracing the concept of online shopping. This would reduce the need for retailers to have physical stores in shopping malls which in turn would reduce the demand for retail shopping spaces. As more consumers perform their shopping online, this reduces the need to visit shopping malls, potentially reducing the number of visitors to shopping malls. Adverse developments in respect of these factors can lead to interruptions or delays in completing and opening of Empire City Mall, which can consequently result in cost overruns and affect the profitability and cash flows of Rubberex Group via Alliance Empire.

Such adverse developments could in turn have an adverse impact on Empire City Mall's financial position and results of operations. Nevertheless, Alliance Empire will endeavour to manage Empire City Mall and implement asset enhancement strategies to maximise quality shopper traffic and maintain healthy occupancy rates upon commencement of the operations of Empire City Mall. Rubberex Group intends to mitigate the risk by closely supervising the progress of the Empire City Mall through its representative Director at the board of directors of Alliance Empire.

(c) Failure to complete the construction of Empire City Mall as well as issuance of CCC and strata title for Empire City Mall

The construction and completion of Empire City Mall as well as the issuance of CCC and strata title for the Empire City Mall is subject to risks inherent in the construction industry, including among others, timely and satisfactory progress on the completion of the Empire City Mall, contractors facing difficulties in completing their works in a timely manner, shortfall of skilled manpower/ building materials and utilities supplies, defects or deficiencies in the existing building structure of Empire City Mall, breaches/non-compliance of the relevant regulations as well as potential cost overrun which may further increase the construction cost of Empire City Mall. This could potentially result in unpredictable business interruption and additional expenses to be incurred on repairs, rectifications or modification works to be undertaken on the construction of Empire City Mall. The failure or delay in completing the construction and development of Empire City Mall according its specifications and timeline may result in cost overruns that may affect the Company's future project's profitability and cash flow, liabilities, reduced efficiency and less desirable returns.

However, the above risks are mitigated by the personal guarantees provided by Alliance Empire and MEH Shareholders (namely Dato' Ng Yee Teck and Dato' Cheah Joi Yong) to guarantee the following:

- (i) rectification of any defect in connection with the construction of Empire City Mall within 24 months from date of issuance of the CCC or handover date of the Empire City Mall (whichever later); and
- (ii) that the respective parties' subscription price of RM270.0 million for the ordinary shares in Alliance Empire is adequate to complete the Empire City Mall up until the CCC stage. Alliance Premier and the MEH Shareholders shall undertake the said excess expenditure cost in excess of RM270.0 million.

(d) Risk of unforeseen delays in the completion of the development of Empire City Mall

The development and operations of Empire City Mall are subject to risks inherent in the property development industry, including among others, timely completion of the Empire City Mall, changes in relevant governmental priorities, and other unforeseen circumstances. The ongoing COVID-19 pandemic outbreak and possible similar future outbreaks may have significant adverse effect on the ongoing construction and development of the Empire City Mall. The disruption caused by the COVID-19 pandemic outbreak has led to further disruptions and delays on the construction activities of Empire City Mall arising from the supply of building materials and subcontractor services as well as labour shortage during this period. CASB has since resumed its on-site construction operations after obtaining the relevant approvals from the Ministry of International Trade and Industry of Malaysia ("**MITI**") and complying with the standard operating procedures and other rules and guidelines required by MITI. In addition, if the Government of Malaysia imposes a tighter restriction in the future due to outbreak of COVID-19 or other infectious disease, there is no assurance that the construction and development activities of Empire City Mall will not be affected.

The timely completion of the construction of the Empire City Mall is dependent on various external factors, which include *inter-alia*, the timely receipt of requisite licences, consents, permits or regulatory approvals, the work performance of the appointed building contractors, sub-contractors and consultants, availability of financing and availability of construction/building materials, equipment and labour. Any of these could result in cost overruns and/or lower demand for tenancy of the Empire City Mall that may affect the Company's future development or construction project's profitability and cash flow. The failure or delay in completing the development or construction of Empire City Mall according its specifications may result in cost overruns that may affect the Company's future development or construction project's profitability and cash flow, liabilities, reduced efficiency and less desirable returns.

These interruptions, if prolonged, will adversely affect the completion and opening dates of Empire City Mall. In addition, if the COVID-19 pandemic outbreak worsens in the future, this may affect the opening of Empire City Mall as well as demand for retail shopping spaces or affect shoppers to visit shopping malls like Empire City Mall.

However, Rubberex together with Alliance Empire, Alliance Premier and EXDJ Shareholders shall work closely to monitor the latest developments and strategise on the optimal approaches to take in efforts to minimise such risk.

(e) Implications of COVID-19 on the Proposed Subscription and market value of Empire City Mall

The development and operations of Empire City Mall is susceptible to any outbreak of diseases or pandemics, including COVID-19, to certain extent as it causes interruptions to the business operations including mall traffic and tenancy levels in Empire City Mall. These interruptions, if prolonged, will adversely affect the development and operations of Empire City Mall. The prospects and profitability level of Alliance Empire may be affected by any adverse development in the economic, political and regulatory environment due to the prolonged COVID-19 pandemic outbreak. Political and economic uncertainties include (but are not limited to) changes in general economic, business and credit conditions, Government legislation and policies affecting foreign investors,

inflation, interest rates, fluctuation in foreign exchange rates, political or social development, methods of taxation and the occurrence of force majeure events or circumstances which are beyond the control of the Group, for instance, natural disasters as well as outbreak of diseases (such as the recent COVID-19 pandemic). The ongoing COVID-19 pandemic has had an adverse impact on the local economy whereby local businesses have not been able to operate as usual during the movement control order period.

Barring any unforeseen circumstances, the Board believes that the COVID-19 outbreak is not expected to have any material adverse impact on the business and operations of the Group in the long run, including the market values of Empire City Mall, once the COVID-19 pandemic outbreak stabilises and enters the endemic stage. Notwithstanding that, the Board wishes to highlight that as the circumstances pertaining to the said pandemic outbreak are rather fluid and uncertain in these unprecedented times, there can be no assurance that the statements made above, which are based on information and circumstances known at this juncture, will continue to be accurate moving forward.

6. EFFECTS OF THE PROPOSALS

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Subscription will be fully satisfied by cash. Hence, the Proposals will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as it does not entail any issuance of new ordinary shares in the Company.

6.2 NA and gearing

The Proposed Diversification will not have any effects on the NA and gearing position of the Rubberex Group. For illustration purposes only, based on the latest audited consolidated financial position of the Group as at 31 December 2020, the pro forma effects of the Proposed Subscription on the consolidated NA and gearing of Rubberex are shown below:

	Audited as at 31 December 2020	⁽ⁱ⁾ Subsequent events	After the Proposed Subscription	
			Assuming to be funded via internally generated funds	Assuming to be funded by bank borrowings
	RM'000	RM'000	RM'000	RM'000
Share capital	191,212	257,794	257,794	257,794
Treasury shares	(1,612)	(23,864)	(23,864)	(23,864)
Reserves	8,318	8,318	8,318	8,318
Retained earnings	179,751	180,769	⁽ⁱⁱ⁾ 179,869	^(vi) 172,849
Total equity	377,669	423,017	422,117	415,097
No. of Shares (net of treasury shares) (⁽ⁱⁱⁱ⁾ 000)	831,108	874,591	874,591	874,591
NA per Share (RM) ⁽ⁱⁱⁱ⁾	0.45	0.48	0.48	0.47
Total borrowings (RM'000)	3,938	3,938	^(v) 3,938	^(vi) 183,938
Gearing (times) ^(iv)	0.01	0.01	0.01	0.44

Notes:

- (i) After adjusting for the following:
- (a) In January 2021, Rubberex had re-purchased 1,631,100 ordinary shares in Rubberex from the open market at a cost of RM2.25 million;
 - (b) In April 2021, Rubberex had disposed 2,798,600 treasury shares, at the total disposal consideration of RM4.26 million, resulting in a one-off gain on disposal of RM0.40 million, credited into the retained earnings of Rubberex;
 - (c) issuance of 83,227,500 new Rubberex Shares pursuant to a private placement exercise at the issue price of RM0.80 per Share, which has been completed on 3 August 2021 and after deducting expenses for the private placement exercise of RM0.46 million; and
 - (d) As at LPD, Rubberex had re-purchased 51,600,000 ordinary shares in Rubberex from the open market at a cost of RM30.10 million. In the same period, Rubberex had also disposed 10,687,500 treasury shares, at the total disposal consideration of RM7.31 million, resulting in a one-off gain on disposal of RM1.08 million, credited into the retained earnings of Rubberex.
- (ii) After adjusting for the expenses relating to the Proposals of approximately RM0.90 million.
- (iii) Computed by taking the total equity of the Group divided by the number of Shares in issuance.
- (iv) Computed by taking the total borrowings over the total equity of the Company.
- (v) Assuming that the Subscription Price will be fully funded via internally generated funds of the Company.
- (vi) Assuming that the Subscription Price will be fully funded via bank borrowings to be undertaken, based on the average interest rate of 3.90% per annum.

6.3 Earnings and EPS

The Proposals are expected to be earnings accretive and to contribute positively to the long-term earnings of Rubberex Group.

For illustration purposes only, the pro forma effect on the consolidated earnings and earnings per Share assuming the Proposed Subscription was completed on 1 January 2021, are set out below:

	<u>RM'000</u>	<u>⁽¹⁾EPS (sen)</u>
PAT for the FYE 31 December 2020	131,175	14.3
Estimated expenses in relation to the Proposed Subscription ⁽²⁾	(900)	(0.1)
Pro forma PAT and EPS	130,275	14.2
Estimated interest expenses to be incurred in relation to the Proposed Subscription ⁽³⁾	(7,020)	(0.8)
Pro forma PAT and EPS	123,255	13.4

Notes:

- (1) Based on the enlarged share capital of 915,502,851 ordinary shares in Rubberex.
- (2) Excluding the share of profits of 20.0% equity interest held by Rubberex in Alliance Empire.
- (3) Assuming that the Subscription Price will be fully funded via bank borrowings to be undertaken, at the average interest rate of 3.90% per annum, before taking into account any tax savings.

6.4 Convertible Securities

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

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (a) the shareholders of Rubberex for the Proposals, at the forthcoming EGM of the Company to be convened; and
- (b) any other relevant authorities and/or parties, where required.

The Proposed Subscription and Proposed Diversification are inter-conditional upon each other as to the approval of the shareholders' of Rubberex. The Proposals are not conditional upon any other corporate proposals undertaken by Rubberex.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Subscription pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 52.90%, computed based the Subscription Price as compared with the audited NA of Rubberex as at 31 December 2020.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the directors, major shareholders, and chief executive of Rubberex and/or persons connected to them have any interest, direct or indirect, in the Proposals.

10. DIRECTORS' STATEMENTS AND RECOMMENDATION

After considering all aspects of the Proposals, including the rationale and benefit, justification of arriving at the Subscription Price and prospects for the Proposals, the Board is of the opinion that the Proposals are in the best interest of Rubberex Group and its shareholders.

Accordingly, the Board recommends that you vote in favour of the ordinary resolutions in relation to the Proposals to be tabled at the forthcoming EGM of the Company to be convened.

11. ADVISER

M&A Securities has been appointed as the Adviser to the Company for the Proposals.

12. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposals (which is subject matter of this Circular), the Board confirms that there is no other outstanding corporate proposal which has been announced but not yet completed as at the date of this Circular.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be implemented by the first quarter of 2022. The tentative timetable in relation to the completion/implementation of the Proposals is as follows:

Tentative date	Event
31 December 2021	Extraordinary General Meeting held for the Proposals
First quarter of 2022	Implementation of the Proposed Subscription
Second quarter of 2023	Completion of the Proposed Subscription

14. EGM

The forthcoming EGM, a notice of which is enclosed in this Circular, will be conducted fully virtual through online meeting platform via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 31 December 2021 at 10.00 a.m. using Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>, for the purpose of considering and if thought fit, passing with or without modifications the ordinary resolutions to give effect to the Proposals.

Shareholders **will not be allowed** to attend this EGM in person on the day of the meeting.

Please read the Notes in the Notice of the EGM carefully and follow the procedures in the Administrative Guide for EGM in order to participate remotely via RPV.

If you are unable to participate in this EGM, you may appoint a proxy(ies) to do so on your behalf by completing, signing and depositing the Form of Proxy in accordance with the instructions contained therein. Alternatively, you may appoint the Chairman of the meeting as your proxy and indicate your voting instruction in the Form of Proxy.

The completed Form of Proxy must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for convening the EGM, which is no later than **Wednesday, 29 December 2021 at 10.00 a.m.** or any adjournment thereof. You may also submit the proxy appointment electronically via TIIH Online at <https://tiih.online> before the proxy appointment cut off time as mentioned above. For further information on electronic lodgement of Form of Proxy, please refer to Administrative Guide for the EGM.

15. FURTHER INFORMATION

Please refer to the **Appendix V** set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
RUBBEREX CORPORATION (M) BERHAD

LIM CHEE LIP
NON-INDEPENDENT EXECUTIVE DIRECTOR

APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

(a) Conditions Precedent

The Subscription Agreement is subject to the following being fulfilled or waived within 4 months from the date of the Subscription Agreement ("**Cut-Off Date**") with an extension of 2 months by mutual agreement of parties to the Subscription Agreement:

- (i) the completion of the sale and purchase agreement in respect of the parcels constituting the Empire City Mall ("**Parcels**") by Alliance Empire free from encumbrances but subject to caveats lodged on the master title by third parties in relation to parcels other than the Parcels;
- (ii) the execution of the Shareholders' Agreement;
- (iii) the shareholdings of Alliance Empire being effected as follows:

<u>Shareholders</u>	<u>Number of ordinary shares held</u>	<u>Share capital⁽¹⁾ (RM)</u>
Alliance Premier	600,000	397,500,000
EXDJ Shareholders	200,000	172,500,000
Total	800,000	570,000,000

Note:

- (1) Comprising fully paid-up and not-fully paid-up share capital in Alliance Empire.
- (iv) the receipt of approval from shareholders of Rubberex for the Proposed Subscription;
- (v) satisfactory findings on the feasibility study and valuation of the Empire City Mall project including the following:
 - valuation of Empire City Mall up and until the CCC Stage will yield a market value of at least RM1.00 billion and the Subscription Price and aggregate subscription payment of Alliance Premier and EXDJ Shareholders amounting to RM90.0 million are adequate to fund the construction costs of the Empire City Mall up and until the CCC Stage; and
 - the terms and conditions of the construction contract to be awarded to CASB or related companies on a final contract price basis.

The Subscriber shall inform Alliance Premier and Alliance Empire as to whether it considers that the feasibility study and valuation report conducted is satisfactory within 14 days of the date of the Feasibility Study and Valuation or by the Cut-Off Date, whichever is earlier ("**Approval Period**"). In the event that the Subscriber does not inform Alliance Premier and Alliance Empire that the feasibility study and valuation is not satisfactory within the Approval Period, it shall be deemed that the feasibility study and valuation has been found to be satisfactory; and

- (vi) the receipt of provision of personal guarantee from the MEH Shareholders to guarantee rectification of any defect in connection with the construction of Empire City Mall within 24 months from date of issuance of the CCC or handover date of the Empire City Mall (whichever later), and the respective parties' subscription price of RM270.0 million is adequate to complete the Empire City Mall up until the CCC stage as well as to defray the Stamp Duties ("**Personal Guarantee**").

(collectively, the "**Conditions Precedent**")

APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (cont'd)

The parties agree that Alliance Empire shall not be required to fulfil the conditions precedent set out in Paragraph (a)(i) above until and unless the conditions precedent set out in Paragraph (a)(ii) to (a)(vi) are fulfilled or (save in respect of the conditions precedent set out in Paragraph (a)(iv)) mutually waived.

None of the Conditions Precedent shall be waived unless with the prior written approval of all Parties.

In the event that all the Conditions Precedent are not fulfilled (or waived) on or before the Cut-Off Date, the Subscription Agreement shall automatically be terminated and shall become null and void and be of no further effect and force and no party hereto shall have any further claim or action whatsoever against the other in respect of or arising out of the Subscription Agreement save for any antecedent breach.

(b) Payment of the Subscription Price

The Subscription Price shall be paid by the Subscriber in the following manner, subject to all the Conditions Precedent being fulfilled (including beneficial interest of the Parcels being vested in Alliance Empire free from encumbrances):

- (i) RM50.0 million to be paid within 30 days from the unconditional date of the Subscription Agreement ("**Initial Subscription Price**");
- (ii) The Balance Subscription Price to be paid in 14 equal instalments commencing 1 month after payment of the Initial Subscription Price; and
- (iii) Final instalment shall be paid subject to EXDJ Shareholders and Alliance Premier paying their portion of RM90.0 million⁽¹⁾.

Note:

- (1) This was not made a condition precedent since it would be the obligation of Alliance Empire to ensure that this is paid prior to the Subscriber's final instalment to ensure no disruptions to the construction and development of Empire City Mall up to CCC Stage. In addition, the deadline (without extension of time) to obtain the CCC is 18 months from the unconditional date of the Subscription Agreement, by which time the full RM270.0 million would have been received by Alliance Empire failing which Rubberex shall be entitled to exercise the put option to exit. Rubberex is further safeguarded by the Personal Guarantees in relation to cost overrun.

Alliance Empire shall utilise the Subscription Price to meet expenditures and costs and expenses for the completion of the construction of the Empire City Mall. The Parties shall cause Alliance Empire to enter a caveat on the Empire City Mall only and subject to Alliance Empire undertaking that it shall at its own cost and expense forthwith withdraw the caveat as and when such caveat is required by the authorities to be withdrawn (subject to granting of caveator's consent being impractical under such circumstances).

(c) Issuance and allotment of the Subscription Shares

- (i) Completion shall take place on the Completion Date at the office of Alliance Empire or such other place as the Parties mutually agree in writing and subject to all Conditions Precedent being fulfilled and receipt of written confirmation from the Subscriber to CASB that all Conditions Precedent have been satisfied and immediately prior to the payment by the Subscriber of the Initial Subscription Price.

APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (cont'd)

Note:

- (1) Completion Date is defined as the date on which the completion of all the subscription of the Subscription Shares by the Subscriber shall take place, as mutually agreed to between the Subscriber and notified to Alliance Empire, failing which it shall be a day falling on the thirtieth (30th) day after the date the last of the Conditions Precedent is satisfied or such other date as the parties may agree in writing for the Subscription Agreement to complete.
- (ii) On the Completion Date, Alliance Empire shall deliver or cause to be delivered to the Subscriber the certified true copies of the board and shareholders' resolutions of Alliance Empire approving the subscription and the allotment and issue of the Subscription Shares to the Subscriber.
- (iii) Alliance Empire agrees and undertakes to forthwith do all acts and things so as to register the Subscriber as a member of Alliance Empire holding the Subscription Shares in its register of members. Notwithstanding that the Subscription Price has not been paid in full, Alliance Empire shall issue and allot to the parties the Subscription Shares on the Completion Date upon payment of the Initial Subscription Price, provided that any shares which are not fully paid up shall not have any voting rights.
- (iv) Upon payment of Initial Subscription Price, 55,556 Subscription Shares shall be allotted as issued and paid up whilst 144,444 Subscription Shares shall be allotted as issued but not fully paid up. Upon each instalment payment of the Balance Subscription Price, the issued but not paid-up shares will be converted into paid up shares calculated at RM900 per Subscription Share. All Subscription Shares shall be issued free from encumbrances.
- (v) Alliance Empire covenants that the Subscription Shares when allotted and issued shall be free from all encumbrances whatsoever and that they shall rank *pari passu* in all respects with the existing issued ordinary shares and with all rights, titles, benefits and advantages now or hereafter attaching thereto as from the Completion Date (save for any issued but not fully paid-up Subscription Shares shall not have any voting rights).

(d) Undertaking

Until and unless the Shareholders Agreement becomes effective, Alliance Empire undertakes to do or not to do the following (as the case may be) unless the Subscriber otherwise consents in writing or waives:

- (i) carry on and conduct its business with due diligence and efficiency and in accordance with sound financial and business standards and practices;
- (ii) without the approval of the Subscriber and other than normal company secretarial and audit fees and day to day administrative expenses, it will not incur any debt, liabilities and/or material commitment, and it will not guarantee any debt for borrowed moneys or provide any financial assistance to any party other than any guarantee which has been disclosed in writing to the Subscriber on or before the date of the Subscription Agreement;
- (iii) it will not increase or decrease in any way its issued share capital or alter in any way the rights attaching to its shares, allow any change in the shareholdings of Alliance Empire save and except such alteration has been expressed agreed upon; and
- (iv) it will notify in writing to the Subscriber forthwith upon it being aware of the occurrence of an event which would materially or adversely affect its condition, financial or otherwise, or its ability to observe or perform its obligations under the Subscription Agreement.

APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (cont'd)

(e) Default by Alliance Empire

If Alliance Empire fails to fulfil its obligations under the Subscription Agreement or fails to complete the sale and purchase of the Parcels free from encumbrances, and fails to remedy such breach within 7 business days, then the Subscriber shall be entitled to sue for specific performance or to terminate the Subscription Agreement and claim for damages.

(f) Default by the Subscriber

If the Subscriber fails to fulfil its obligation under the Subscription Agreement and fails to remedy such breach within 7 business days, then Alliance Empire shall be entitled to sue for specific performance or to terminate the Subscription Agreement and claim for damages.

(g) Assignment

None of the parties shall assign or attempt to assign any rights or obligations unless with the prior written consent of the other parties.

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APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS’ AGREEMENT

(a) Conditions Precedent

The Shareholders’ Agreement is subject to the following conditions precedent:

- (i) Subscription of ordinary shares in Alliance Empire as follows:
 - Alliance Premier – 600,000 ordinary shares representing 60% equity in Alliance Empire;
 - EXDJ Shareholders – 200,000 ordinary shares representing 20% equity in Alliance Empire; and
 - Subscriber – 200,000 ordinary shares representing 20% equity in Alliance Empire;
- (ii) Provision of the Personal Guarantee by the MEH Shareholders.

(b) Cost Overrun

In the event parties’ subscription price of RM270.0 million is inadequate to complete the construction of the Empire City Mall up until the CCC stage such that Alliance Empire does not have any debt or liabilities at the CCC Stage as well as to defray the Stamp Duties, Alliance Premier and the MEH Shareholders undertakes to fund the additional costs subject to non-dilution of other shareholders’ equity interest.

(c) Additional Funding

Within 12 months from the CCC Stage or such further period to be agreed by the parties, the parties shall contribute up to additional RM100.0 million for the purpose of commissioning the Empire City Mall, including but not limited to fund the operations and promotional activities pre-opening and launching activities of Empire City Mall as well as tenant’s fit out contribution. Other party may opt to fund the portion of funding of any non-contributing party and such funding party may capitalise its contribution into ordinary shares of Alliance Empire based on RM750 per ordinary share.

(d) Management of Alliance Empire

The day-to-day management of Alliance Empire shall be Alliance Premier’s responsibility. The contractor for the construction of the Empire City Mall shall be such contractor nominated by Alliance Premier.

(e) Dividend

The dividend policy for Alliance Empire shall be determined by the Board of Directors of Alliance Empire in accordance with the Act.

(f) Composition of Board of Directors of Alliance Empire

Prior to the Proposed Subscription, the Board of Directors of Alliance Empire shall comprise of 2 nominee directors from Alliance Premier and EXDJ Shareholders, respectively. Upon receipt of the Initial Subscription Price, the Subscriber shall be entitled to nominate 1 director. None of the Directors shall receive any fees or remunerations. If any Party disposes its shareholding in Alliance Empire to any third party or upon Alliance Empire attaining net profit after tax position of RM100.0 million per annum on a running basis or in any financial year of Alliance Empire, then the composition of the Board of Directors of Alliance Empire shall be amended such that each party shall be entitled to 1 director for every 20% held in Alliance Empire.

APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (cont'd)

The Subscriber or the EXDJ Shareholders' right to appoint 1 director to the Board of Directors of Alliance Empire shall not be vitiated if:

- (i) its equity in Alliance Empire falls below 20% but remains above 10% by reason of dilution; or
- (ii) such dilution is not due to the Subscriber or the EXDJ Shareholders failing to pay any sums that it is due to pay to subscribe for the ordinary shares in Alliance Empire.

(g) Chairman

The chairman of the Board of Directors of Alliance Empire shall be a director appointed by Alliance Premier, and the chairman is not entitled to second casting vote.

(h) Resolutions

Save for matters that involve the day-to-day management of Alliance Empire, all resolutions shall only be passed after receiving affirmative votes from all directors or shareholders. The foregoing requirement shall be removed if either party disposes any of its shareholding, or having its shareholding being diluted to lesser than 10% or Alliance Empire attaining PAT of RM100.0 million per annum on a running basis or in any financial year. Matters including but not limited to the following (unless otherwise expressly agreed by the Parties) shall not be deemed as "day-to-day management of Alliance Empire":

- (i) appointment or removal of architect;
- (ii) appointment or removal of company executives (including but not limited to chief executive officer, chief financial officer, chief operating officer);
- (iii) entering into any transaction with related parties; and
- (iv) incurrence of any costs outside the approved budget.

(i) Right of First Refusal

No party shall sell, transfer, pledge or deal with the shares without first obtaining prior written consent of other parties. No party shall dispose any shares to third party without first offering the shares to be purchased by the existing shareholder and disclosing the identity of the third-party purchaser.

(j) Tag Along

If any shareholder of Alliance Empire wishes to dispose of any shares and the third-party purchaser, other shareholders may tag-along by selling all their shares to the third-party purchaser at the same price as the selling shareholder.

(k) Management of Accounts

The signatories for the bank accounts, cheques and other forms of remittance shall be jointly managed by Alliance Premier and Exsim. The account of Alliance Empire shall be audited in accordance with the Malaysian Financial Reporting Standards, and the management account for inspection not later than 30 days from the last day of a particular calendar month.

APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS’ AGREEMENT (cont’d)

(l) Put Option I and Call Option I

If:

- (i) The Empire City Mall fails to be completed within 18 months with an extension of 6 months (subject to the Subscriber’s consent) from the unconditional date of the Subscription Agreement; or
- (ii) within 6 months from the issuance of CCC,

The Subscriber shall be entitled to exercise a put option to sell all its ordinary shares held in Alliance Empire to Alliance Premier (“**Put Option I**”), which is equivalent to RM180,000,000 together with any other sums paid by the Subscriber and its portion of the Disposal Surplus (as defined below), if applicable.

In addition, if the Put Option I is exercised pursuant to Paragraph (l)(i) above, the Subscriber shall be entitled to interest of 10.0% per annum calculated from the day of payment by the Subscriber. The Put Option I price shall be paid within 12 months from the date of option notice, with extension of further 12 months subject to late payment interest of 7.0% per annum.

Alliance Premier irrevocably authorises Alliance Empire to pay directly to the Subscriber an amount equal to the Put Option I price before being paid any money that Alliance Premier is entitled pursuant to the sale of the Empire City Mall.

If Alliance Premier fails to pay the Put Option I price, then the Subscriber shall be entitled to either continue with the Put Option I for an indefinite period of time, or to call on Alliance Premier’s ordinary shares held in Alliance Empire by requiring Alliance Premier to sell all its ordinary shares held in Alliance Empire to the Subscriber for RM1.00 (“**Call Option I**”).

Upon exercising the Call Option I, the Subscriber and EXDJ Shareholders shall be entitled to dispose the Empire City Mall to any third party. The Subscriber irrevocably authorises Alliance Empire to pay directly to Alliance Premier an amount equal to the Call Option I price, i.e. a sum equivalent to the monies that Alliance Premier is entitled to as set out in subparagraph (n)(iii) below.

(m) Put Option II and Call Option II

If Alliance Premier and/or the EXDJ Shareholders (collectively, the “**Collaborator(s)**”) fail to pay RM72.0 million or at least RM72.0 million in cash collectively (“**Minimum Subscription Sum**”)⁽¹⁾ for the subscription of ordinary shares in Alliance Empire prior to the date when payment of the 13th payment by the Subscriber becomes due under the Subscription Agreement, the Subscriber shall be entitled to exercise a put option to sell all of its ordinary shares held in Alliance Empire to the Collaborator(s) (“**Put Option II**”), which is equivalent to:-

The sums paid by the Subscriber for the Subscription Shares	-	(Dividends accrued or payable to the Subscriber from Alliance Empire up to the completion of Put Option II + all advances made by the Subscriber + the Subscriber’s portion of Disposal Surplus (defined hereunder), if applicable)	+	10.0% interest per annum calculated on monthly rest basis from the date of payment of each respective subscription sum paid by the Subscriber up to the date of receipt of the Subscriber’s option notice, whichever is earlier
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(collectively referred to as “**Put Option II Price**”)

Note:

- (1) The Minimum Subscription Sum was arrived at based on the difference between aggregate subscription payment amounting to RM90.0 million and the Stamp Duties of approximately RM19.18 million. The Stamp Duties is only expected to be incurred upon issuance of the separate strata titles of the Empire City Mall.

The Put Option II Price shall be paid within 12 months from the date of option notice, with extension of further 12 months subject to late payment interest of 7.0% per annum. The Collaborator(s) irrevocably authorise Alliance Empire to pay directly to the Subscriber an amount equal to the Put Option II price before being paid any money that the Collaborator(s) are entitled pursuant to the sale of the Empire City Mall.

If the Collaborator(s) fails to pay the Put Option II Price, then the Subscriber shall be entitled to either continue with the Put Option II for an indefinite period of time, or to call on the Collaborator(s)’ ordinary shares held in Alliance Empire by requiring the Collaborator(s) to sell all their ordinary shares held in Alliance Empire to the Subscriber for RM1.00 (“**Call Option II**”).

Upon exercising the Call Option II, the Subscriber shall be entitled to dispose the Empire City Mall to any third party. The Subscriber irrevocably authorises Alliance Empire to pay directly to the Collaborator(s) an amount equal to the Call Option II price, i.e. a sum equivalent to the monies that the Collaborator(s) are entitled to as set out in subparagraph (n)(iii) below.

(n) Sale of the Empire City Mall

If the Empire City Mall is disposed, the sale proceeds shall be applied in the following order:

- (i) pay all debts including taxes and costs relating to disposal of the Empire City Mall;
- (ii) repayment to any parties any advance or loan to Alliance Empire;
- (iii) the balance sale proceeds shall be distributed in the following order:
 - to pay the Subscriber a sum equivalent to the subscription price for its ordinary shares in Alliance Empire (if the Put Option not exercised) or a sum equivalent to the Put Option price (if the Put Option exercised);
 - to pay EXDJ Shareholders a sum equivalent to the subscription price for its shares in Alliance Empire;
 - to pay Alliance Premier a sum equivalent to the subscription price for its shares in Alliance Empire;
 - any residual thereof shall be distributed to the parties according to their shareholding proportion (“**Disposal Surplus**”).

If the sale proceeds are inadequate to pay the Subscriber’s entitlement, then EXDJ Shareholders, Alliance Premier and the MEH Shareholders shall undertake to indemnify the Subscriber against the shortfall.

The parties shall explore the most expeditious option to distribute the assets of Alliance Premier including the possibility of a capital reduction but in the absence of any agreement, Alliance Empire shall be wound up.

(o) Default

If a party:

- (i) commit breach of any of the obligations and shall not have remedied such breach (if capable of remedy) within 30 business days after written notice shall have been given to;

APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (cont'd)

- (ii) shall enter into any composition or arrangement with its creditors; or
- (iii) being a company shall have a receiver appointed over the whole or any part of its undertaking or assets or being an individual shall have a receiving and/or adjudication order made against him.

(p) Deed of Adherence

In the event any transfer of shares by the parties or there are any shares being held by the parties' nominees and/or permitted assigns, the parties shall procure that all the transferees, nominees and/or permitted assigns shall execute a deed of adherence agreeing to be bound by the terms of the Shareholders' Agreement.

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APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL

**PRIVATE & CONFIDENTIAL**

Rubberex Corporation (M) Berhad
Lot 138201, Off ¾ Mile, Jalan Bercham
Kawasan Perindustrian Bercham
31400 Ipoh
Perak Darul Ridzuan

Date: 01 OCT 2021

Reference No.: V/COR/21/0048/cgc

Dear Sir / Madam,

VALUATION CERTIFICATE FOR A RETAIL MALL + CAR PARK PODIUM COMPRISING RELEVANT AREAS AND COMPONENTS FORMING STRATIFIED PARCELS (RETAIL AND CAR PARK) + ACCESSORY PARCELS ATTACHED AND APPURTENANT THERETO; FORMING PART OF AN UPCOMING COMMERCIAL / RETAIL PODIUM TO BE KNOWN AS EMPIRE CITY MALL WITHIN A SELF-CONTAINED INTEGRATED MIXED-USE DEVELOPMENT IDENTIFIED AS EMPIRE CITY (HEREINAFTER REFERRED TO AS THE "SUBJECT PROPERTY")

We were instructed by Rubberex Corporation (M) Berhad (hereinafter referred to as the Client) for our firm to ascertain the Market Value of the legal interest in the Subject Property stated herein.

This Valuation Certificate is prepared for inclusion into the Circular to shareholders of Rubberex in relation to the Proposals.

This Valuation Certificate is prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

This Valuation Certificate is prepared in accordance with the general principles adopted and limiting conditions as enclosed at the end of our formal Valuation Report. For all intents and purposes, this Valuation Certificate should be read in conjunction with our formal Valuation Report.

The basis of valuation adopted is the **Market Value** which is defined 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 and where the parties had each acted knowledgeably, prudently and without compulsion".

Accordingly, we have conducted the site inspection on various occasions, being the latest on 15th September 2021. As such, we have adopted **15th September 2021** as the material date of valuation.

Brief description of the Subject Property is attached overleaf.

Knight Frank Malaysia Sdn Bhd Co Reg. No. 200201017816 (585479-A) (VE (1) 0141)

Suite 10.01, Level 10, Centrepoint South, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
T + 603 228 99 688 F + 603 228 99 788 www.knightfrank.com.my



IDENTIFICATION OF PROPERTY

Interest Valued / Type of Property Legal interest in a retail mall + car park podium comprising relevant areas and components forming stratified parcels (retail and car park) + accessory parcels attached and appurtenant thereto with a combined proposed strata floor area(s) of 534,515.52 square metres (5,753,525 square feet) together with all fixtures, fittings and equipment + systems affixed and installed therein and other supporting facilities and amenities attached thereto, all forming part of an upcoming commercial / retail podium to be known as Empire City Mall within a self-contained integrated mixed-use development collectively identified as Empire City; sited on part of Parent Lot 90573 held under Master Title No. PN 116964 (formerly known as part of Parent Lot 86342 and Lot 72082 held under Master Title No. PN 95202 and PN 108871 respectively), Mukim Sungai Buloh, District of Petaling, Selangor Darul Ehsan (hereinafter collectively referred to as the **"Subject Property"**).

Locality Being part of a 23-acre self-contained integrated mixed-use development of Empire City; bounded by PJ Trade Centre to its immediate west; separated by Lebuhraya Damansara-Puchong.

Title Particulars The following table outlines the title particulars of the Parent Lot: -

Summary of Title Particulars of the Parent Lot	
Legal Description	: Lot 90573 held under PN 116964, Mukim Sungai Buloh, District of Petaling, Selangor Darul Ehsan.
Land Area	: 9.536 hectares.
Tenure	: Leasehold interest for a term of 99 years, expiring on 8 th June 2104 (remaining unexpired term of about 83 years).
Registered Proprietor	: Cosmopolitan Avenue Sdn Bhd.
Quit Rent (Land Tax)	: RM203,022.00 per annum.
Category of Land Use	: "Bangunan".
Express Condition	: "Bangunan Perniagaan".
Restriction-In-Interest	: "Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri".
Encumbrance	: ➤ Charged five (5) times to Ambank (M) Berhad vide Presentation Nos. 83880/2010, 125437/2012, 35381/2014 and 104459/2015; registered on 12 th August 2010, 27 th November 2012, 4 th April 2014 and 7 th October 2015 respectively.

Note: Individual block / strata titles in respect of the Subject Property have yet to be issued. Our valuation is on the basis / assumption that separate block / strata title(s) together with accessory parcels attached thereto conveying leasehold interest for a term of 99 years in respect of the Subject Property are forthcoming and when issued, will be free from all encumbrances and restrictive conditions over the designated strata floor area(s) stated herein. In our valuation, we have assumed the forthcoming block / strata title(s) when issued being good and marketable and that all documentations are satisfactory drawn.

APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL (cont'd)



PROPERTY DESCRIPTION

Property Description Upon completion, Empire City Mall (within which the Subject Property forms part thereof) will be an integrated lifestyle retail mall with combination of old and modern architecture styles / designs; offering six (6) themed zoning; with two (2) lower ground levels along with elevated and three (3) basement car park levels; together with part of retail area from ground to level 1 and to level 3 at Zone 5 for cinema; constructed upon part a 23-acre freehold land located along Lebuhraya Damansara – Puchong.

Typical furnishes and specifications of the Subject Property upon completion are tabulated here below.

Building Specifications

Structures	:	Steel and reinforced concrete structure.
Roof Truss / Roof	:	Flat roof with steel roof truss.
Façade	:	Curtain wall.
Ceilings	:	Off form.
Wall Finishes	:	Stones, brickworks, plaster and paint, where applicable or as recommended by architect/ consultant.
Floor Finishes	:	Stones, tiles, cement render, where applicable or as recommended by architect/ consultant.
Windows	:	Aluminium window where applicable or as recommended by architect/ consultant.
Doors	:	Aluminium framed glass door, plywood flush door, fire rated door where applicable or as recommended by the architect/ consultant.

Proposed Strata Floor Area

Component	Main Parcel Area		Accessory Parcel Area	
	(sq. m.)	(sq. ft.)	(sq. m.)	(sq. ft.)
Retail Area	202,420.85	2,178,858	20,341.62	218,957
Car Park	74,306.95	799,840	237,446.10	2,555,870
Total	276,727.80	2,978,698	257,787.72	2,774,827

Source: Proposed Strata Plans prepared by EDA Architects dated 2nd February 2021

Note: Based on conversion rate of 1 square metre : 10.764 square feet

Proposed Net Lettable Area (“NLA”) 162,471.84 square metres (1,748,848 square feet).

Notes:

- The proposed NLA listed above includes storage area, kiosks and promotion area(s); excludes walkway and car park accessory parcel (storage area).
- Based on conversion rate of 1 square metre : 10.764 square feet

Car Park Facilities 8,572 bays.

APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL (cont'd)



PROPERTY DESCRIPTION (CONT'D)

Contracts Awarded and Works Certified Completed To-Date

Total Contract Awarded to Empire City (overall development)			
Contract Work	Contract Sum of overall development	Amount Certified To-Date	% of Completion
Main Building Works and Associated External Works (including preliminaries, site clearance, earthworks & ancillary works, structural works, architectural works, mechanical & electrical works and infrastructural works) ("Main Building Works")	RM1,552,811,939.77 (Revised contract sum)	RM1,368,928,473.66	88.16%
Elevated Road Works of Road 1 & 1A, Road 5 & 5A, Road 6, Road 7 & 7A and Related Works ("Elevated Road Works")	RM85,000,000.00	RM30,103,020.98	35.42%

Amount Allocated to Podium Including Basement Car Parks (of which the Subject Property only forms part thereof)			
Contract Work	Contract Sum	Amount Certified To-Date	% of Completion
Main Building Works	RM910,200,153.43	RM780,141,253.26	85.71%
Elevated Road Works	RM51,698,000.00	RM18,309,011.51	35.42%

Amount Allocated to Subject Property – based on the allocated ratio of 63.52%				
Contract Work	Contract Sum allocated to Subject Property	Amount Certified To-Date	% of Completion	Remaining Work to be Completed
Main Building Works	RM578,201,637.97	RM495,582,151.67	85.71%	- (Note 1)
Elevated Road Works	RM32,842,000.00	RM11,631,099.00	35.42%	RM21,210,901.00
Total Contract Work	RM611,043,637.97	RM507,213,250.67	83.00%	RM21,210,901.00
New Contract (excluding the projected contingencies amounting to RM6,924,268.94)	RM242,349,413.03	-	-	RM242,349,413.03

Source: Valuation for Interim Certificate No. 62 dated 31st December 2019 for Main Building Works and Associated External Works / Valuation for Interim Certificate No. 8 dated 21st January 2021 for Elevated Road Works of Road 1 & 1A, Road 5 & 5A, Road 6, Road 7 & 7A and Related Works / Cosmopolitan Avenue Sdn Bhd

Note 1: We were made to understand by Cosmopolitan Avenue Sdn Bhd that the aforementioned awarded contract will be terminated and re-awarded with a new contract at about RM249,273,681.97 (including the projected contingencies) for the remaining construction works based on the Verification Report prepared by Perunding PQS bearing Reference No. PQS/SL/ec/EC/RCB/21-VR dated 10th September 2021

Expected Date of Completion

Scheduled to be completed by third (3rd) quarter of Year 2023 and targeted opening by first (1st) quarter of Year 2024.

APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL (cont'd)



PROPERTY DESCRIPTION (CONT'D)

Planning

Located within an area designated for commercial use; and Basement 2 car park has been issued with a Partial Certificate and Completion and Compliance by Lembaga Arkitek Malaysia vide Certificate No. LAM / S / No. 0683 dated 13th April 2016.

The overall Empire City was granted with a revised development approval for three (3) blocks of hotel, eight (8) blocks of offices sited stop an eight (8) storey retail podium and car park with two (2) lower ground levels of retail, banquet facilities and car park, together with three (3) levels of basement car park via a planning approval letter dated 13th March 2015 issued by Majlis Bandaraya Petaling Jaya bearing Reference No. (42) dlm. MBPJ/JPB331 /T/P23/PJU8 /5723/2010 Jld 1 along with a pre-computation plan bearing Plan No. AT/KM/P/MEPSB /15-1A.

Summary of the building plan approvals based on the divided six (6) phases are summarised below.

Phase (Zone)	Building Plan Approval Letters issued by Majlis Bandaraya Petaling Jaya	Latest Approved Development	Location of Subject Property
Phase 1 (Zone 1)	(22)MBPJ/120100/T/P10/184/2011 dated 7 th September 2015 MBPJ/120100/T/P10/184/2011 JLD 2(3) dated 22 nd March 2019	A 38-storey office block with an eight (8)-storey retail and office podium, District Cooling Plant and car park sited stop two (2) lower ground levels of retail, banquet facilities and car park, together with three (3) levels of basement car park	The basement car park levels, lower ground levels, ground level to Level 1
Phase 2 (Zone 2)	(15)MBPJ/120100/T/P10/233/2011 dated 26 th October 2015 MBPJ/120100/T/P10/233/2011 (4) dated 22 nd March 2019	A 28-storey office block, a 29-storey office block with an eight (8)-storey retail and office podium	Ground level to Level 1 of the Zone 2 retail podium
Phase 3 (Zone 3)	(17)MBPJ/120100/T/P10/424/2011 dated 31 st December 2015 MBPJ/120100/T/P10/424/2011 JLD 2 dated 14 th May 2019	A 45-storey hotel and office block with an electrical substation, 2 swimming pools and recreational facilities, a 29-storey hotel block with a swimming pool and recreational facilities together with four (4) levels of retail	Parts of the ground level of the Zone 3 retail
Phase 4 (Zone 4)	(3)MBPJ/120100/T/P10/1026/2011 dated 4 th January 2016 MBPJ/120100/T/P10/1026/2011 JLD 2 dated 21 st March 2019	A 15-storey office block, an 18-storey office block together with eight (8) levels of retail cum office podium and a mezzanine floor	Ground level and upper ground level of the Zone 4 retail podium
Phase 5 (Zone 5)	(11)MBPJ/120100/T/P10/1027/2011 dated 5 th February 2016 MBPJ/120100/T/P10/1027/2011(12) dated 24 th September 2019	A 38-storey office block, a 20-storey office block together with five (5) levels of retail podium	Ground level to Level 3 of the Zone 5 retail podium
Phase 6 (Zone 6)	(19)MBPJ/120100/T/P10/423/2011 dated 19 th February 2016 MBPJ/120100/T/P10/423/2011 JLD 2 (4) dated 8 th April 2019	A 26-storey office block, a 45-storey office block together with five (5) levels of retail podium	Ground level and part of the upper ground level of the Zone 6 retail podium



PROPERTY DESCRIPTION (CONT'D)

Planning (Cont'd)

We were further made to understand that the proposed amendments to the building plans in accordance to the Proposed Strata Plans dated 2nd February 2021 will be submitted for approval by the relevant authorities.

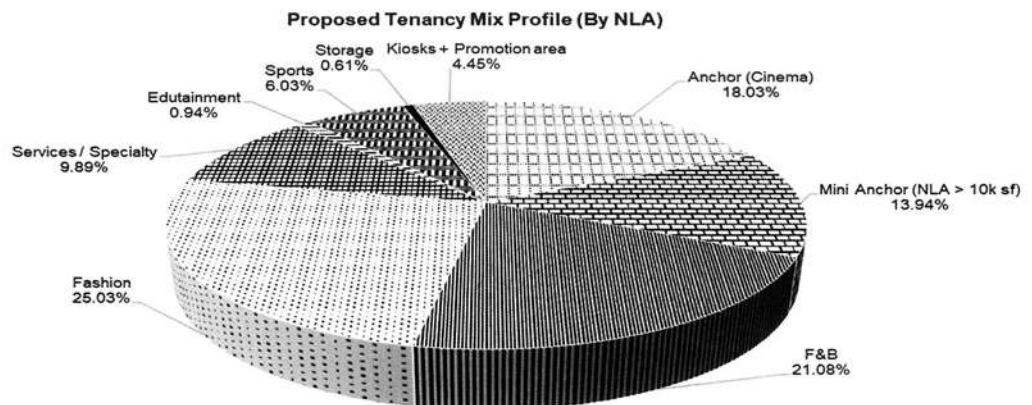
As part of asset enhancement initiatives, the following proposed amendments to the building plans in relation to the Subject Property, amongst others, are as follows: -

- Additional fan rooms required by M&E Engineers on Basement 3;
- Conversion of part of bus + car parking bays to additional retail spaces on Basement 2;
- Additional escalators and lifts (2 units) at Zone 4 to connect Basement 1 to LG2, LG 1 and Ground Floor;
- Relocation of Lobby at Zone 2 Ground Floor, Upper Ground and Level 1;
- Conversion and relocation of part of landscape / terraces to additional retail spaces and extended canopy on Zone 5 Ground Floor; and
- Revision of retail layout on Zone 6 Ground Floor.

Tenancy Details

At the date of inspection, we note that part of the Subject Property is temporarily occupied by various tenants (which are in breach of building by-laws where we were made to understand that part(s) of the occupied areas are not being issued with a Certificate of Completion and Compliance). The tenancy terms are on a combination of 2-year and 3-year tenancy term at a gross rental (excluding income generated from gross sales turnover arrangement for selected tenants) ranging from RM1.20 psf / month – RM10.00 psf / month depending on occupied NLA across various tenants (with an average monthly rental of about RM8.10 psf / month over total occupied NLA). We were made to understand by the Client that these tenancies will be treated expired and terminated upon completion of the acquisition of the Subject Property by Alliance Empire Sdn Bhd from Cosmopolitan Avenue Sdn Bhd and the Subject Property will be delivered at vacant possession to Alliance Empire Sdn Bhd.

Based on the proposed retail trade and tenant mix, we note that upon completion, the Subject Property will offer and house seven (7) major trade-mix, namely, anchor (cinema), mini anchor, food & beverage (“F&B”), fashion, services / speciality, edutainment and sports complemented with storage, kiosks and promotion area(s).



Note: Anchor = retail area of more than 100,000 square feet | Mini Anchor = retail area in the region of 10,000 square feet to 100,000 square feet.



MARKET VALUE

Terms of Reference WE HAVE BEEN SPECIFICALLY INSTRUCTED BY THE CLIENT TO ASCERTAIN THE MARKET VALUE OF THE SUBJECT PROPERTY BASED ON THE FOLLOWING BASES / ASSUMPTIONS AND LIMITATIONS STATED HERE BELOW: -

BASIS I: "AS IS WHERE IS" BASIS; AS AN ON-GOING (CONSTRUCTION OF THE MAIN BUILDING (INTERNAL WORKS) IN PROGRESS WITH CONSTRUCTION WORKS CERTIFIED COMPLETED TO DATE) RETAIL MALL + CAR PARK PODIUM COMPRISING RELEVANT AREAS AND COMPONENTS FORMING STRATIFIED PARCELS (RETAIL AND CAR PARK) + ACCESSORY PARCELS ATTACHED AND APPURTENANT THERETO WITH A COMBINED PROPOSED STRATA FLOOR AREA(S) OF 534,515.52 SQUARE METRES (5,753,525 SQUARE FEET) TOGETHER WITH ALL FIXTURES, FITTINGS AND EQUIPMENT + SYSTEMS AFFIXED AND INSTALLED THEREIN AND OTHER SUPPORTING FACILITIES AND AMENITIES ATTACHED THERETO; ALL FORMING PART OF AN UPCOMING COMMERCIAL / RETAIL PODIUM TO BE KNOWN AS EMPIRE CITY MALL

- BASIS II:**
- I. ON THE ASSUMPTION THAT THE PROPOSED AMENDMENTS TO THE BUILDING PLANS IN ACCORDANCE TO THE PROPOSED STRATA PLANS DATED 2ND FEBRUARY 2021 PREPARED BY EDA ARCHITECTS WILL BE SUBMITTED AND APPROVED BY THE RELEVANT AUTHORITIES;
 - II. THAT THE PROPOSED STRATIFIED RETAIL PARCEL(S) WILL HAVE A COMBINED STRATA FLOOR AREA(S) OF ABOUT 222,762.47 SQUARE METRES (2,397,815 SQUARE FEET) IN ACCORDANCE TO THE PROPOSED STRATA PLANS DATED 2ND FEBRUARY 2021 AND A NET LETTABLE AREA OF 162,471.84 SQUARE METRES (1,748,848 SQUARE FEET) IN ACCORDANCE TO THE PROPOSED RETAIL LAYOUT PLAN DATED 25TH JANUARY 2021;
 - III. THAT THE PROPOSED STRATIFIED CAR PARK PARCEL(S) WILL HAVE A COMBINED STRATA FLOOR AREA(S) OF ABOUT 311,753.05 SQUARE METRES (3,355,710 SQUARE FEET) IN ACCORDANCE TO THE PROPOSED STRATA PLANS DATED 2ND FEBRUARY 2021 AND A TOTAL OF 8,572 CAR PARK BAYS WILL BE PROVIDED WITHIN THE SUBJECT PROPERTY;
 - IV. ON THE BASIS AND ASSUMPTION THAT THE RETAIL MALL + CAR PARK PODIUM COMPRISING RELEVANT AREAS AND COMPONENTS FORMING STRATIFIED PARCELS (RETAIL AND CAR PARK) + ACCESSORY PARCELS ATTACHED AND APPURTENANT THERETO WITH A COMBINED PROPOSED STRATA FLOOR AREA(S) OF 534,516 SQUARE METRES (5,753,525 SQUARE FEET) TOGETHER WITH ALL FIXTURES, FITTINGS AND EQUIPMENT + SYSTEMS AFFIXED AND INSTALLED THEREIN AND OTHER SUPPORTING FACILITIES AND AMENITIES ATTACHED THERETO ARE FULLY COMPLETED IN GOOD WORKMANSHIP IN ACCORDANCE TO THE APPROVED BUILDING PLANS; WITH ALL RELEVANT FEES (IF ANY) FULLY PAID AND THEREAFTER ISSUED WITH CERTIFICATE OF COMPLETION AND COMPLIANCE (CCC);



MARKET VALUE (CONT'D)

Terms of Reference
(Cont'd)

- V. THAT THE UPCOMING RETAIL MALL + CAR PARK PODIUM WILL BE SUITABLY FURNISHED, FITTED AND EQUIPPED WITH FIXTURES, FITTINGS, EQUIPMENT AND SYSTEMS ALONG WITH OTHER SUPPORTING FACILITIES AND SPECIFICATIONS TO COMMENSURATE TO THE PROPOSED STANDARD AND RATING IN ACCORDANCE TO THE APPROVED BUILDING PLANS AND / OR PROPOSED DESIGN CONCEPT;
- VI. THAT ALL THE PROPOSED INGRESS AND EGRESS ROAD / BYPASS NETWORKS TO / FROM THE DEVELOPMENT TOGETHER WITH ALL COMMON SUPPORTING INFRASTRUCTURE ARE FULLY COMPLETED;
- VII. THAT SEPARATE BLOCK / STRATA TITLE(S) TOGETHER WITH ACCESSORY PARCELS ATTACHED THERETO CONVEYING LEASEHOLD INTEREST FOR A TERM OF 99 YEARS IN RESPECT OF THE SUBJECT PROPERTY ARE FORTHCOMING AND WHEN ISSUED, WILL BE FREE FROM ALL ENCUMBRANCES AND RESTRICTIVE CONDITIONS OVER THE DESIGNATED STRATA FLOOR AREA(S) STATED HEREIN.

“IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION(S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE(S) REPORTED ARE BASED ON ASSUMPTION(S) THAT ARE NOT YET OR FULLY REALISED”

Valuation Methodology

In arriving at our opinion of the Market Value of the Subject Property, we have adopted the **Income Approach by Residual Method for Basis I** and the **Income Approach by Discounted Cash Flow (DCF) Method** supported by the **Comparison Approach for Basis II**.

The outbreak of the COVID-19 pandemic and the subsequent government policies and rulings to curb and contain the spread of the disease and initiatives to revive the economy in the forms of fiscal & monetary policies, Movement Control Order (MCO), Conditional Movement Control Order (CMCO), Recovery Movement Control Order (RMCO) and Full Movement Control Order (FMCO), together with the current Phase Two of the National Recovery Plan (NRP) which has started from 10th September 2021 have directly impacted the main key parameters that drive property values such as demand, take up rates, occupancy rates, rental rates, holding periods, development periods and yields / expected rate of returns.

Therefore, we have accounted for the potential impact of the COVID-19 outbreak on those key parameters in our valuation analysis, methodologies and workings. The adjustments used to account for the impact on the main key drivers will depend on the type of valuation approaches being adopted and the type of property and property sub-sector that are being valued. Some of these adjustments are used independently and some are used together.

In our valuation assessment, we have considered capital value adjustments to reflect anticipated circumstances, amongst others, such as adjustment made for prevailing market condition (if any sale evidences adopted in the comparison approach were transacted prior to the outbreak, a downward adjustment is considered and reflected); extended lead-in time prior to re-commencement of construction on site and lower sales price point (applicable to residual method) and longer letting up periods, temporary income hiatus or abatement and / or higher incentives and lower market rent (applicable to income approach by DCF method), applied as appropriate, on a case by case basis by referencing updated market data and knowledge, information and evidences made available to us as at the material date of valuation.

APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL (cont'd)



MARKET VALUE (CONT'D)

Valuation Methodology (Cont'd) As a result, any valuation reported during this period will need to be reassessed closely from time to time and given the current market uncertainty, we recommend that any user(s) of this report review this valuation periodically.

Basis I – Income Approach by Residual Method This approach is based on the premise that the price which a purchaser can pay for a property is the present value of the surplus amount or residual value after deducting out the full cost of development (Gross Development Cost) and profit from the sales proceeds (Gross Development Value) of the completed development, which is then discounted at an appropriate rate to reflect the inherent risk and holding cost for the period of development to arrive at the current Market Value.

Summary of Parameters

Gross Development Value (GDV)	RM1,000,000,000
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Gross Development Cost (GDC)	RM434,762,924
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Development Period	<p>Approximately 2.00 years</p> <p>We have adopted a development period of 2.00 years as fair representation after having taken into consideration of the type, concept and scale of development. The projected 2 years development period (balance works to be completed) adopted in our valuation is deemed adequate and fair after having considered (i) the current state of our economy (gradual re-opening of the economy under Phase Two of National Recovery Plan whereby construction activities are allowed to commence following standard operating procedures set forth by the relevant authority); (ii) the current work done status to-date; (iii) the proposed 2 years development programme provided to us by Cosmopolitan Avenue Sdn Bhd; and (iv) the anticipated construction / development period of other selected retail mall(s) (ranging typically from 2 years to 3 years for green field development including Da Men Mall and Elite Pavilion Mall along with the upgrading and expansion works undertaken by Setia City Mall and Sunway Putra Mall).</p>
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Present Value (Discount Rate)	8.50%
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Gross Development Value (GDV) In arriving at the Gross Development Value, we have adopted the Income Approach by DCF Method as the primary method; supported by the Comparison Approach.

DCF method is defined herein as the estimation of future annual cash flows over an investment horizon from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of the property as at the valuation date. We have assumed that the property is sold at the commencement of the terminal year of the cash flow at the expected rate of return of similar asset classes; and the Comparison Approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued (Subject Property) is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL (cont'd)



Detailed assessment along with salient valuation assumptions adopted by using the Income Approach by DCF Method and the Comparison Approach are set forth hereafter (refer to Valuation Methodology for Basis II).

Gross Development Cost (GDC)

In arriving at the Gross Development Cost, we have made reference and adopted the total awarded contract sum as extracted from the Cost Update Report as provided to us by the Client as fair representation after having taken into consideration of the industry average costing as derived from analysis of other awarded contracts of similar projects and average building costs of similar type of properties published by JUBM and Arcadis Construction Cost Handbook Malaysia 2021.

A summary of parameters of the GDC adopted is tabulated overleaf.

Summary of Gross Development Cost (GDC)					
Description	Analysis	Total Cost Adopted	Total Value of Works Completed / Certified Amount To-Date	Remaining Work to be Completed	Remarks
Statutory Contribution	1.58% of total GDV	RM15,783,264	RM783,264	RM15,000,000	We have made reference to the proposed costings provided by Cosmopolitan Avenue Sdn Bhd and further allocated additional statutory contribution relating to strata title application fees, Indah Water Konsortium (IWK) contribution and other related charges after having benchmarked against industry average costings.
Preliminaries and Infrastructure Costs	Preliminaries, Earthworks, Piling and Infrastructure Works: RM14.42 psf over total strata floor area	*RM82,958,939	RM82,958,939	-	We have adopted the certified amount to-date for preliminaries, earthworks, piling works, infrastructure works and the awarded sum for elevated road works as reasonable after having considered prevailing market condition and benchmarked against the other awarded contract sum of similar development (amounting to about RM7.10 psf to RM30.87 psf over the total Gross Floor Area); subject to the type, concept and scale of development.
	Elevated Road Works: RM5.71 psf over total strata floor area	RM32,842,000	RM11,631,099	RM21,210,901	
Building Construction Costs	Main Building Works: RM71.72 psf over total strata floor area	*RM412,623,213	RM412,623,213	-	We have adopted the certified amount to-date for main building works as reasonable after having taken into consideration of the type, concept and scale of development. We have made reference to the projected costings for the new contract after having benchmarked against industry average costings.
	New Contract: RM42.12 psf over total strata floor area	RM242,349,413	-	RM242,349,413	
Professional Fees / Consultant Fees	8.0% of total preliminaries, infrastructure costs and building construction cost	RM21,084,825	-	RM21,084,825	The professional fees to be incurred are for various professionals engaged in different stages of development construction. We have adopted a rate of 8.0% of total remaining preliminaries, infrastructure costs and building construction costs as fair representation which is reflective of market industry for the intended development.

APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL (cont'd)



Summary of Gross Development Cost (GDC) (Cont'd)					
Description	Analysis	Total Cost Adopted	Total Value of Works Completed / Certified Amount To-Date	Remaining Work to be Completed	Remarks
Contingencies	15.0% of total remaining preliminaries, infrastructure costs, building construction cost and professional fees	RM42,696,771	-	RM42,696,771	Contingency allowance ranging from 3.00% - 5.00% are adopted typically by market practice. However, a higher rate of 15% is adopted for this valuation to allow for any unknown risk and / or unexpected incidental expenses may occurred due to current market uncertainty and the prolonged delayed in completion of this intended development (whereby construction works was halted and resumed periodically).
Marketing, Agency and Legal Fees	3.0% of total net GDV	RM30,000,000	-	RM30,000,000	We have adopted 3.0% of GDV as marketing, agency and legal fees to be fair and reflective of industry practice.
Financial Charges	40% of total preliminaries, infrastructure costs, building construction cost, professional fees and contingencies capitalized at 8.50% per annum for a period of 1.0 year	RM11,129,625	-	RM11,129,625	Bridging finance is based on 40% of total preliminaries, infrastructure costs, building construction cost, professional fees and contingencies, capitalised at 8.50% per annum for a period of 1.00 year after taking into consideration of the development progress and development phasing. In arriving at the borrowing rate, we have generally benchmarked against the average base rate offered by banks at 2.50% + a spread in the region of 4.00% to 6.00% for any typical project financing. A higher rate is adopted to reflect the risk profile of the asset itself.
Developer's Profit	5.13% of total GDV	RM51,291,389	-	RM51,291,389	Typically, a rate of return of about 10% to 20% of GDV is required for a developer to commit to a project development. In our assessment, we have adopted a lower rate as the risk level is lower after having considered the profit recognized due to the completion progress status of the development.

* Note: We have adopted the certified amount to-date allocated to the Subject Property as we were made to understand that the awarded contract for Main Building Works and Associated External Works will be terminated and re-awarded with a new contract.

Basis II – Income Approach by DCF Method

In our assessment, we have carried out a discounted cash flow analysis over a ten (10)-year investment horizon for the Subject Property in which we have assumed that the property is sold at the commencement of the terminal year of the cash flow. This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property in such a manner as to attain the desired level of investment return to commensurate with the risk of that asset class.

In undertaking this analysis, we have used a wide range of assumptions for the property including the growth of gross rental revenue together with other potential receivable income along with the expected property expenses during the holding period, projected occupancy and other related expenses.

APPENDIX III – VALUATION CERTIFICATE ON EMPIRE CITY MALL (cont'd)



Summary of Parameters – Income Approach by DCF Method

Common Parameters

Void Allowance	<p>10.00%.</p> <p>We have adopted a void allowance of 10.00% of the projected annual income as fair representation for allowance of void, unforeseen vacancies, possible rent-free periods, fitting out periods and possibility of bad debts.</p> <p>Typically for multiple tenancies, a void allowance of 3.00% - 5.00% (depending on its achieved occupancy along with the tenant's profile) are adopted to reflect unforeseen vacancies, possible rent-free periods, fitting out period and possibility of bad debts. In general, void allowance is to reflect and account for the gap in between tenancies; which normally is taken up for marketing of the space, fit-out and rent-free periods amongst others. In view of the current market condition coupled with the scale of intended development, we have allowed for a higher provision of 10.00% (which is at 3.6-month of rent-free period for a typical 3-year tenancy term); which is generally accepted in the market.</p>
Terminal Yield / Capitalisation Rate	<p>6.50%.</p> <p>The yields of individual retail mall are dependent on many factors including locations, tenant mix, catchment population, occupancy rate and the size of the malls. From our findings, we have noted that the historical transacted yields of shopping malls in Kuala Lumpur / Selangor are in the region of about 5.27% to 6.37%.</p> <p>In view of limited recorded yield transactions of retail mall in the current market condition and it is not possible to identify exactly alike properties to benchmark and / or reference to, we have thus adopted a yield of 6.50% as the most probable expected rate of return (reflecting the current low interest rate environment; with reduction of OPR by 125 bps to cushion the economic impact of the COVID-19 pandemic) as fair after having considered factors relating to the tenure and prevailing market condition with fiscal stimulus measures alongside monetary and financial measures support announced by the Government of Malaysia. The cut in OPR is however expected to have a positive impact to support property yields.</p>

Building	Elite Pavilion Mall	Da Men Mall	Tropicana City Mall (now known as 3 Damansara)	Pavilion Kuala Lumpur Mall
Location	Jalan Bukit Bintang, Kuala Lumpur	Subang Jaya	Petaling Jaya	Jalan Bukit Bintang, Kuala Lumpur
Tenure	Interest in perpetuity / Leasehold Interest	Interest in perpetuity	Interest in perpetuity	Leasehold Interest
Approximate NLA	241,929 sq. ft.	420,920 sq. ft.	448,148 sq. ft. (only retail NLA)	1,335,119 sq. ft.
Consideration	RM565,400,000 ⁽¹⁾	RM486,844,000	RM540,000,000 ⁽³⁾	RM3,190,300,000
Net Income (car park & other incomes)	RM29,816,419 ⁽¹⁾	RM30,306,240 ⁽²⁾	RM 33,000,000 ⁽³⁾	RM203,326,000 ⁽⁵⁾
Year of Transaction	2017	2015	2015	2011
Analysed Yield	5.27%	6.23%	6.11%	6.37%
Source	Bursa Malaysia Securities Berhad / Circular dated 21 st December 2017	Bursa Malaysia Securities Berhad / Circular dated 17 th September 2015 and 18 th March 2016	Bursa Malaysia Securities Berhad / Circular dated 10 th June 2015	Bursa Malaysia Securities Berhad / Prospectus dated 14 th November 2011