

SENTORIA GROUP BERHAD (“SENTORIA” OR “THE COMPANY”)

DEVELOPMENT RIGHTS AGREEMENT AND JOINT VENTURE AGREEMENT BETWEEN SENTORIA AND SERIEMAS DEVELOPMENT SDN. BERHAD.

1.0 INTRODUCTION

1.1 The Board of Directors of Sentoria is pleased to announce that on 31 December 2012, the Company has entered into the following agreements:

- (A) Joint Venture Agreement (“**JVA**”) with Seriemas Development Sdn. Berhad. (Company No. 122570-H) (“**Seriemas**”) to jointly undertake the development of 204 acres of land held under the Master Title No. HS(D) 30726 PT 1082, Mukim Morib, Daerah Kuala Langat, Selangor Darul Ehsan (“**Development Land**”) into a mixed development of commercial and residential units (“**Proposed JV**”); and
- (B) Development Rights Agreement (“**DRA**”) with Seriemas for the development by Sentoria of the remaining 150 acres of land held under the Master Title No. HS(D) 30726 PT 1082, Mukim Morib, Daerah Kuala Langat, Selangor Darul Ehsan (“**Sale Land**”) into a water theme park, resort and convention centre, boutique hotel and safari park (comprising of river and night safari) (collectively “**Components**” or “**4 Components**” and individually, each a “**Component**”) and thereafter the sale of each Component by Seriemas to Sentoria individually and separately under 4 different sale and purchase agreements (“**DRA SPAs**”) pursuant to the call option and put option granted under the DRA in respect of the 4 Components (“**Proposed Development**”),

(hereinafter collectively referred to as the “**Proposals**”).

1.2 The JVA shall be conditional upon and subject to Sentoria’s strict performance and observance of all its obligations under:

- (A) the DRA; and
- (B) the DRA SPAs.

In the event that the DRA and/or any of the DRA SPA is terminated at any time by Seriemas for any reason whatsoever, then the JVA shall be partially terminated in respect of phases for which no sales of Units have commenced as at the date of termination thereof.

1.3 In respect of the DRA:

- (A) The DRA shall be conditional upon the DRA SPAs - In the event any of the DRA SPA is terminated by Seriemas at any time for any reason whatsoever, then the DRA shall be terminated, wholly or in part, as Seriemas shall determine.
- (B) Each DRA SPA for which no Certificate of Completion and Compliance (CCC) has been issued (“**Non-CCC DRA SPA**”) shall be conditional upon:
 - (i) The DRA - In the event the DRA is terminated by Seriemas at any time for any reason whatsoever, then the Non-CCC DRA SPA shall be terminated, wholly or in part, as Seriemas shall determine;

- (ii) The other DRA SPAs - In the event any of the other DRA SPA is terminated by Seriemas at any time for any reason whatsoever, then the Non-CCC DRA SPA shall be terminated, wholly or in part, as Seriemas shall determine.
- (C) Each DRA SPA for which the Certificate of Completion and Compliance (CCC) has been issued (“**CCC DRA SPA**”) shall not be conditional upon the DRA and/or the other DRA SPAs; and
- (D) The DRA and the DRA SPAs shall not be conditional upon the JVA.

2.0 DETAILS OF THE PROPOSALS

2.1 Details of the DRA

Subject to the consent of Seriemas, Sentoria intends to assign its obligations, rights and interests under the DRA to two (2) of its wholly owned subsidiary companies as follows:

- (i) The rights to develop and construct the Resort and Convention Centre and the Boutique Hotel which shall be assigned or sub-contracted to Sentoria Harta Sdn Bhd (“**SHSB**”) based on the development rights granted under the DRA; and
- (ii) The rights to develop and construct the Water Theme Park and Safari Park (comprising River and Night Safari) which shall be assigned or sub-contracted to Sentoria Morib Sdn Bhd (“**SMSB**”) based on the development rights granted under the DRA.

Further information of SHSB, SMSB and Seriemas are set out below.

2.2 Information on SHSB

SHSB is a private limited company incorporated in Malaysia under the Companies Act, 1965 with its registered office at 56 & 58 (2nd Floor), Jalan Dagang SB 4/2, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan and its business address at No. B-2, Jalan IM 3/10, BIM Point, Bandar Indera Mahkota, 25200 Kuantan, Pahang Darul Makmur.

The authorised share capital of SHSB is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each.

SHSB is a wholly owned subsidiary company of Sentoria and its directors are Dato’ Chan Kong San and Dato’ Gan Kim Leong.

The principal activity of SHSB is property development.

2.3 Information on SMSB

SMSB is a private limited company incorporated in Malaysia under the Companies Act, 1965 with its registered office and business address at 56 & 58, Jalan Dagang SB 4/2, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.

The authorised shares capital of SMSB is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is RM2.00 comprising 2 ordinary shares of RM1.00 each.

SMSB is a wholly owned subsidiary company of Sentoria and its directors are Dato' Chan Kong San and Dato' Gan Kim Leong.

The principal business activities of SMSB are to own, manage and operate hotels, theme parks and resorts.

2.4 Information on Seriemas

Seriemas is a private limited company incorporated in Malaysia under the Companies Act, 1965 with its registered office at Level 4, Balai PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan and its business address at No. 1, Persiaran Impian Perdana, Saujana Impian, 43000 Kajang, Selangor Darul Ehsan.

The authorised share capital of Seriemas is RM8,000,000.00 comprising 8,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is RM2,500,000.00 comprising 2,500,000 ordinary shares of RM1.00 each.

The principal activity of Seriemas is property development and its directors are Tan Sri Dato' Mohd. Zuki Bin Haji Kamaluddin, Dato' Hj. Mohd Fauzi Bin Yusuf @ Mohd Yusof, Cheng Kee Check, Mohd Salem Bin Kailany, Ho Ee Lay and Rozman Bin Musa.

Seriemas is the registered owner of the approximately 143.4 hectares (354.349 acres) of land held under Master Title No. HS(D) 30726 PT 1082, Mukim Morib, Daerah Kuala Langat, Selangor Darul Ehsan, which comprises the Development Land and the Sale Land.

2.5 Information on the Development Land and the Sale Land

The Sale Land and the Development Land (collectively hereinafter referred to as the "**Lands**") is approximately 143.4 hectares (354.349 acres) and is held under the Master Title No. HS (D) 30726 PT 1082, Mukim Morib, Daerah Kuala Langat, Selangor Darul Ehsan. The Lands are of freehold agriculture status and is situated near the sandy beach of Morib, at the southern end of Selangor Darul Ehsan with close proximity to Pulau Carey, Banting, Port Dickson and Kota Seri Langat.

The Lands are also easily accessible from Kuala Lumpur via a network of highways such as the Shah Alam Expressway, the North-South Expressway and the Maju Expressway. In addition, the Lands are situated approximately 40 minutes from the Kuala Lumpur International Airport and the Low Cost Carrier Terminal.

The Sale Land shall be acquired from Seriemas with vacant possession and free from all encumbrances. The Lands shall be developed by both parties based on the agreed development plan.

The estimated project cost and expected sales of the Proposals is shown in the table below:

	Estimated Project Cost	Expected Sales/Revenue
Proposed JV	RM1,137 million	RM1,585 million
Proposed Development	RM190 million *	N/A

(Note:*Estimated investment cost is based on cost experience from Water Theme Park and the proposed Jungle and Night Safari development in Bukit Gambang Resort City (“BGRC”). The Proposed Development shall be the main attractions for the Proposed JV and Sentoria is expected to maintain these 4 Components.)

3.0 SALIENT TERMS OF THE JVA

3.1 Sentoria and Seriemas (hereinafter collectively referred to as “Parties”), have agreed to carry out the Proposed JV on the Development Land on the basis that all sales revenue received by Sentoria in respect of the sale or disposal of the Units to external purchasers shall be shared between the Parties. Seriemas’ share of the Proposed JV is an amount of 10% - 15% of sales revenue. The revenue sharing ratio between the Parties is tabulated below.

Sales revenue	Revenue sharing ratio	
	Seriemas’s Percentage	Sentoria’s Percentage
Up to RM1.0 billion	10%	90%
Above RM1.0 billion up to RM1.58 billion	12%	88%
Above RM1.58 billion	15%	85%

In addition, Sentoria also guarantees payment to Seriemas of a total minimum sales revenue from the Proposed JV of RM75.0 million to be paid annually on staggered basis over the duration of the JVA of ten (10) years, unless extended by the Parties (“Minimum Revenue Guarantee”).

3.2 The payment of the Minimum Revenue Guarantee shall be made by Sentoria to Seriemas annually based on the following payment schedule:

Year	Yearly (in RM’ million)	Cumulative (in RM’ million)
1 and 2	0	0
3	5	5
4	5	10
5	10	20
6	10	30
7	10	40
8	10	50
9	10	60
10	15	75

3.3 In consideration of Sentoria agreeing to develop the Development Land at its own costs and expense in accordance with the agreed development plan as provided in the JVA, Seriemas shall provide and make available the Development Land for the project under the Proposed JV and Sentoria undertakes to execute and complete the project.

3.4 All losses in respect of the project, including to the disposal or the sales of the Units shall be solely borne by Sentoria.

3.5 Sentoria undertakes that it shall complete the project including the sales of all Units within ten (10) years from the date of the JVA subject to an extension of two (2)

years, if required by Sentoria and approved by Seriemas or such other period as mutually agreed by the Parties.

- 3.6 The principal shareholders of Sentoria, namely, Dato' Jimmy Chan Kong San and Dato' Gan Kim Leong (collectively, the "**Principal Shareholders**") shall further execute a memorandum of deposit and all other relevant documents ("**Memorandum of Deposit**") and take all necessary actions to charge such amount of ordinary shares equivalent in aggregate par value of RM5 million ("**Secured Sum**"), in the issued and paid up share capital of Sentoria in favour of Seriemas ("**Charged Shares**") as security for the construction and completion of the project by Sentoria in a timely manner and in accordance with the agreed development plan and the JVA. The Principal Shareholders shall execute and forward such Memorandum of Deposit in respect of the Charged Shares to Seriemas simultaneous with the execution of the JVA. In the event the market value of the shares of Sentoria is reduced to below par value at any time hereafter thereby reducing the aggregate market value of the Charged Shares to below the Secured Sum, Sentoria will procure its Principal Shareholders to place additional security shares to ensure that the Secured Sum is maintained at the minimum of RM5 million. In the event the aggregate market value of the Charged Shares exceeds the Secured Sum, Seriemas shall not be required to discharge the charge in respect of the Secured Sum.

4.0 SALIENT TERMS OF THE DRA

In consideration of the payment of a sum of RM2.25 million for the granting of the exclusive development rights by Seriemas to Sentoria, the DRA was entered into by the Parties.

The salient terms and conditions of the DRA are as follows:

- 4.1 Sentoria, at its own costs and expenses, will develop the Sale Land comprising the 4 Components namely:-
- (i) Water Theme Park;
 - (ii) Resort and Convention Centre;
 - (iii) Boutique Hotel; and
 - (iv) Safari Park (comprising River and Night Safari).

4.2 The DRA also involves the granting of the Call or Put Option by the Parties as follows:-

- (a) In consideration of the payment of RM10.00, Seriemas agrees to grant four (4) Call Options to Sentoria in respect of each of the 4 Components. The Call Option shall only be exercisable by Sentoria strictly upon completion of 50% of the development and construction works in respect of each of the 4 Components as outlined in the agreed development plan stipulated in the DRA. Under the Call Option, Sentoria shall have the option and/or right to require Seriemas to sell the portion of the Sale Land under each of the 4 Components subject to the entering of sale and purchase agreement(s) by the Parties; and
- (b) In consideration of the payment of RM10.00, Sentoria agrees to grant four (4) Put Options to Seriemas in respect of each of the 4 Components. The Put Option shall be exercisable by Seriemas at any time upon Sentoria obtaining all approvals and/or consents in respect of the Project and/or in respect of each Component thereof, including but not limited to the Layout Plan Approval, Subdivision Approval, Land Use Approval, Building Plan Approval and all other Requisite Consents as stipulated in the DRA; or the expiry of two (2) years from the date of execution of the DRA, whichever is earlier . When exercised, Seriemas shall have the option and/or right to require Sentoria to purchase the Sale Land in whole or in part(s) under each of the 4 Components subject to the entering of a sale and purchase agreement by the Parties.

4.3 The total purchase consideration of the Sale Land is RM20.25 million made up of the following:

Component	Purchase Consideration (RM)
Resort and Convention Centre	5,130,000
Water Theme Park	2,970,000
Safari Park (comprising River and Night Safari)	10,530,000
Boutique Hotel	1,620,000
Total	20,250,000

4.4 The purchase consideration of RM20.25 million was determined based on a willing buyer willing seller basis after taking into consideration of the valuation of the Sale Land by Messrs W.M. Malik & Kamaruzaman, a firm of professional valuers duly appointed by Seriemas, of RM22.50 million using the Comparison Method of Valuation (on 'as is where is' basis) dated 24 August 2012. Meanwhile, Sentoria has appointed Messrs Rahim & Co, a firm of professional valuers, on the valuation of the Sale Land on 7 December 2012 using the Comparison Method of Valuation (on 'as is where is' basis). Sentoria will make further announcement upon finalisation of the valuation from its Valuer.

4.5 Sentoria undertakes to complete the construction of each of the 4 Components within five (5) years from the date of the execution of the DRA. The time period stipulated in respect of each Component below (or any extension as mutually agreed by the Parties) commences from the date of issuance of Building Plan approval for the respective component:

Component	Years to complete
Water Theme Park	24 months
Resort and Convention Centre	36 months
Boutique Hotel	36 months
Safari Park	36 months

5.0 SOURCE OF FUNDING

Sentoria intends to fund the Proposals including the development costs through internally generated funds and/or bank borrowings for which the detailed composition can only be determined at a later stage depending on the cost of funding and cash requirements of its business operations.

Notwithstanding the above, the Company shall use its best endeavours to optimise the funding mix for the Proposals to minimise, amongst others, the interest cost and gearing of the Group.

6.0 LIABILITIES TO BE ASSUMED

Save for disclosure in 4.2 (a), there are no liabilities, including contingent liabilities and guarantees, to be assumed by Sentoria arising from the Proposed Development.

Apart from the payment of Minimum Revenue Guarantee to Seriemas, there are no liabilities including contingent liabilities and guarantees to be assumed by Sentoria arising from the Proposed JV.

7.0 RATIONALE FOR THE PROPOSALS

Sentoria has concentrated most of its development activities in the East Coast of Peninsular Malaysia and amongst the project undertaken by the Group is the integrated resort known as Bukit Gambang Resort City (“**BGRC**”) located in Kuantan, Pahang Darul Makmur. The BGRC spanning a land area of 547.0 acres comprise resort suites, residential and commercial development, theme parks and other attractions including a Safari Park and the Bukit Gambang Water Park, one of the largest water parks in Malaysia.

The Proposals provide an opportunity for the Group to diversify its activities to include the West Coast of Peninsular Malaysia and leveraging on its track record on the BGRC, Sentoria intends to develop the Sale Land and the Development Land into a theme park similar to the BGRC on a joint venture.

The 4 Components would enhance the attractiveness and marketability of the mixed residential and commercial development on the Development Land pursuant to the JVA in addition to complement and to derive economies of scale from the operations of the various elements of the theme parks to be completed under the DRA.

8.0 PROSPECTS OF THE PROPOSALS

The tourism industry is one of the key economic growth sectors, contributing almost 12% of the GDP. Total revenue generated from the tourism subsector is estimated to increase to RM62 billion in 2012. In conjunction with Visit Malaysia Year 2012/2014, the Government

has allocated RM358 million under development expenditure, an increase of 42%, to target 26.8 million of tourist arrivals. (Source: Budget 2013, Ministry of Finance)

The accommodative policy of the Government such as Malaysia My Second Home program and affordable housing scheme would encourage demand for residential properties within a themed development with close proximity to the sea.

Premised that the tourism industry is an important sector to the overall Malaysian economy, the Group intends to compliment on the efforts of the Government by developing the theme park comprising the 4 Components to boost tourism from domestic and international sources.

The Board of Directors is of the view that the development of the Sale Land into four major components will generate economic benefit to the surrounding area to drive demand for the mixed residential and commercial development to be constructed on the Development Land from the local populace as well as residents from the Klang Valley who requires a weekend residential unit.

The Board is confident that the Proposals would contribute positively to the earnings of the Group in the future.

9.0 EFFECTS OF THE PROPOSALS

9.1 Share capital and substantial shareholders' shareholdings

The Proposals are not expected to have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of the Company as the Proposals do not involve any issuance of new securities by the Company.

9.2 Earnings per share

The Proposals are not expected to have any material effect on the earnings of the Sentoria Group for the financial year ended 30 September 2013 as amongst others, the necessary development orders and conversion of the Lands from agriculture to mixed development purposes need to be obtained from the relevant authorities. However, when the development commenced, it is expected to contribute positively to the future earnings of the Sentoria Group.

9.3 Net assets per share

The Proposals are not expected to have any immediate effect on the net assets per share of the Sentoria Group. Notwithstanding that, the effect of the Proposals on the net assets per share is dependent on the financial performance of the projects envisaged under the JVA and the DRA in the future.

9.4 Gearing

The effect of the Proposals on the gearing of the Sentoria Group is dependent on the funding mix and timing of utilisation of the funds raised from bank borrowings to finance the projects under the JVA and the DRA. The Board shall use its best endeavours to optimize the funding mix and commence construction of the project to maximize the cash flows and minimize the gearing of the Group.

10.0 RISK FACTORS

The risks factors associated to the Proposals are already known and mitigating measures have already been implemented as the Sentoria Group is involved in, amongst others, property development and property investment and the operation of hotel, convention centre and theme park.

Nevertheless, the potential risk factors that may arise from the Proposals, which may not be exhaustive, are as follows:

10.1 Business Risk

The Board does not foresee any material risks pursuant to the Proposals except for the inherent risk factors associated with property development such as changes in demand conditions, ability to secure the relevant approvals from the various authorities for the development of the Lands, fluctuation of raw materials cost, labour supply situation, changes in lifestyle which affect the product types and mix. Nevertheless, with the Sentoria Group's past experience in property development, the Board will use its best endeavours to ensure such risks are mitigated.

10.2 Completion Risk

The Proposed JV is conditional upon the Proposed Development. There is no assurance that the Proposed Development can be completed within the time schedule permitted, as disclosed in Section 4.5 above. In the event that the 4 Components are not constructed according to the minimum time period, the Company may incur liquidated damages as stipulated in the DRA. In addition, the Company is liable to pay Seriemas the Minimum Revenue Guarantee of up to RM75 million regardless of the progress of the construction of the Development Land as disclosed in Section 3.2 above. In this regard, the Board shall endeavour to ensure that the components are constructed within the time period agreed upon in the DRA and the JVA.

10.3 Financing Risk

Sentoria intends to finance the Proposals and the associated development costs through a mixture of internally generate funds and/or external bank borrowings. Taking up additional bank borrowings would expose the Group to interest rate and debt servicing risks while any utilization of internal funds is expected to result in a reduction of funds available for working capital purposes, which may have an adverse effect on the Group's cash flow position. The Board will endeavor to manage its cash flow position and funding requirements prudently, to address the aforementioned risks.

11.0 CONDITIONALITY AND APPROVALS REQUIRED

The Parties agree that Sentoria shall obtain approval from its shareholders within four (4) months from the execution of the DRA for the Proposed Development and within four (4) months from the execution of the JVA for the Proposed JV. Nonetheless, the Proposals are subject to the approval of the relevant authorities for conversion of the Lands from agriculture use to mixed development use, the approval of the building plan and development orders and all other Requisite Consents as stipulated in the Proposals.

The JVA shall be conditional upon and subject to Sentoria's strict performance and observance of all its obligations under the DRA and all Sales and Purchase Agreements with external buyers. In the event that these two said agreements are terminated at any time by

Seriemas for any reason whatsoever, then the JVA shall be partially terminated in respect of phases which no sales of Units have commenced as at the date of termination thereof. The DRA is not conditional to the JVA.

12.0 PERCENTAGE RATIO APPLICABLE TO THE PROPOSED DISPOSAL PURSUANT TO PARAGRAPH 10.02(G) OF THE LR

The highest percentage ratio applicable to the DRA and the JVA is 20.9%, computed based on the total value of the consideration given for the development rights and the exercise price of the Call Options of RM22.50 million (RM2.25 million consideration sum for DRA and RM20.25 million total purchase consideration) as compared to the audited consolidated net assets of Sentoria as at 30 September 2011.

13.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders and/or persons connected with a Director or major shareholders of the Company has any interest, direct or indirect in the DRA and the JVA.

14.0 DIRECTORS' STATEMENT

Having considered all aspects of the Proposals, the Board is of the opinion that the Proposals are in the best interests of the Company.

15.0 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of Sentoria at 56 & 58 (2nd Floor), Jalan Dagang SB 4/2, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan during the normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement:

- (i) The JVA;
- (ii) The DRA;
- (iii) Valuation report and valuation letter by Messrs W.M. Malik & Kamaruzaman dated 24 August 2012; and
- (iv) The audited financial statements for FYE 30 September 2011.

This announcement is dated 31 December 2012.