

## KEY ALLIANCE GROUP BERHAD

- **SETTLEMENT AGREEMENT WITH THE PANO SDN. BHD. (FORMERLY KNOWN AS OCR NOBLE LAND (THE PANO) SDN. BHD.)**
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### 1. INTRODUCTION

The Board of Directors of Key Alliance Group Berhad ("**KAG**" or "**the Company**") wishes to announce that the Company had on 4 June 2024 entered into a Settlement Agreement with The Pano Sdn. Bhd. (formerly known as OCR Noble Land (The Pano) Sdn. Bhd.) ("**PANO**") for the settlement of total outstanding amount of RM6,754,549.54 owing by PANO to KAG ("**the Debt**") by way of contra/transferring of the Properties, as defined below, from PANO to KAG as full and final settlement of the Debt, subject to the terms and conditions of the Settlement Agreement ("**Proposed Settlement**").

In conjunction with the Proposed Settlement, the Company had on 4 June 2024 entered into 5 separate Sale and Purchase Agreements with PANO ("**SPAs**") for the transferring of the Properties to KAG pursuant to the terms of the Settlement Agreement.

### 2. DETAILS OF THE PROPOSED SETTLEMENT

PANO had on 13 May 2016 vide a letter of award, awarded Key Alliance Sdn. Bhd. ("**KASB**") to construct and complete building works for the development of 1 Block 2, 27 storey serviced apartment tower consisting of 363 units situated at Lot 1226-1243, Seksyen 83, Jalan Ipoh, Mukim of Kuala Lumpur ("**the Pano Project**") whereby KASB had accepted the said award.

KASB has completed the building works for the Pano Project on 11 October 2022 to the satisfaction of PANO and was taken into possession by PANO pursuant to the terms stated in the letter of award.

As at 1 February 2024, PANO owes the amount of RM754,549.54 only being outstanding amount due for the contracted work completed for the Pano Project and RM6,000,000.00 only being the performance bond issued by KASB in favour of PANO pursuant to the terms of the letter of award which is to be refunded by PANO to KASB upon completion of the building works for the Pano Project. PANO had acknowledged that the amount totaling RM6,754,549.54 only is due and owing by PANO to KASB.

On 1 February 2024, KASB had assigned the Debt to KAG and a notice of assignment was delivered to PANO on 1 February 2024 which PANO had acknowledged receipt of the assignment on the same date ("**Notice of Assignment**").

As at the date of this announcement, PANO has not made any payment towards settlement of the Debt. PANO and KAG has agreed for the settlement of the Debt by transferring the Properties in accordance with the terms and conditions set out in the Settlement Agreement.

### 3. INFORMATION ON THE PROPOSED SETTLEMENT

#### 3.1 Information on PANO

PANO is a private limited company incorporated in Malaysia. The principal business of PANO is real property and housing developer.

As at 4 June 2024, the issued share capital of PANO is RM7,000,000 divided into 7,000,000 ordinary shares and the directors and shareholders of PANO are as follows:

|                     | No. of shares | % of issued and paid-up share capital |
|---------------------|---------------|---------------------------------------|
| <b>Directors</b>    | -             | -                                     |
| Yap Meng Poh        | -             | -                                     |
| <b>Shareholders</b> |               |                                       |
| Ong Kah Hoe         | 7,000,000     | 100%                                  |

### 3.2 Details of the Properties

PANO and KAG has agreed that the Debt and any other whatsoever claims by KAG under the Notice of Assignment (if any) shall be deemed fully settled in kind by PANO by the transfer of 5 units of services residences located within a services residence development known as “THE PANO” (“**the Properties**”), on an as is where is basis, free of any encumbrances from PANO to KAG.

The details of the Properties are in the **Appendix I** enclosed herewith.

### 3.3 Basis of Determining the Purchase Considerations of the Properties

The purchase consideration of the Properties totalling RM6,754,549.54 was arrived at on a willing buyer and willing seller basis based on the negotiation between PANO and after taking into consideration of the third party valuation report provided by PANO (“**Valuation Report**”).

Based on the Valuation Report, the total market price of the Properties are value at RM6.76 million as at 16 May 2024. The Valuation Report was prepared by PPC Interntional Sdn Bhd based on comparison approach.

### 3.4 Salient Terms of the Settlement Agreement

- i) PANO shall upon the date of the Settlement Agreement enter into the respective SPAs with KAG for the purpose of transferring the Properties to KAG. The SPAs shall contain the following terms:
  - (a) the purchase price of each of the Properties (“**Purchase Price**”);
  - (b) the Purchase Price payable by KAG to PANO under the SPAs shall be set-off against the Debt owed by PANO to KAG up to the amount of the Purchase Price;
  - (c) PANO shall deliver to KAG the original issue document of title to the Properties, a duly executed Memorandum of Transfer together with the current year quit rent and assessment receipts to the Properties on the date of the SPAs;
  - (d) All legal fees, stamp duties, registration fees and other disbursements arising from the transfer of the Properties, the respective SPAs, the memorandum of transfer shall be borne and paid by the KAG. All outgoings payable including service charges, sinking fund, insurance premium, quit rent and assessment in respect of the

Properties shall be apportioned between the parties as from the date of delivery of vacant possession pursuant to the SPAs respectively and KAG shall pay and reimburse to PANO immediately such apportioned outgoing sums upon the apportionment together with all advanced outgoings paid to the management body the utility deposits in respect of the Properties, if any. All outgoings in respect the Properties shall thereafter be fully borne by KAG.

In the event the Properties cannot be transferred to KAG for any reason whatsoever not due to the fault of PANO, PANO may offer to transfer KAG such properties of similar value to replace the Properties as part of the settlement contemplated in the Settlement Agreement.

- ii) Each of the following events shall be an event of default:
  - (a) Non-payment/settlement: PANO fails to transfer the Properties to complete the settlement in accordance with the provisions of the Settlement Agreement; or
  - (b) Insolvency: PANO commits an act of insolvency;

In an event of default and the default remains unrectified within 30 days from the receipt of notice by PANO, KAG shall be entitled to demand the full payment of the Debt from PANO.

### 3.5 Salient Terms of the SPAs

- i) PANO and KAG has agreed that on the date of which the last of the relevant documents for the transfer of the Properties as required under the respective SPAs is received by KAG's solicitors ("**Completion Date**"), the Purchase Price payable by KAG shall be set-off against such equivalent sum from the Debt owing by PANO to KAG. Accordingly, PANO hereby acknowledges receipt and confirm that the Purchase Price shall be deemed fully paid by KAG on the Completion Date.
- ii) If KAG breaches a material term and/or condition of the SPAs and PANO have complied with all the terms and conditions of the SPAs up to KAG's default, PANO shall be entitled to specific performance of the SPAs and all reliefs available to PANO in respect thereof wherein all costs and expenses incurred by PANO (including but not limited to the solicitors cost on solicitors and client basis) in connection therewith shall be paid and borne by KAG. Alternatively, PANO shall be entitled to terminate the SPAs by notice in writing to KAG. KAG shall within 14 days from the termination notice, re-deliver the Memorandum of Transfer and original Strata Title to PANO with PANO's interest remaining intact. In the event that the stamp duty has been paid on the Memorandum of Transfer, the Memorandum of Transfer shall be retained by KAG's Solicitors to obtain a refund of stamp duty.
- iii) if PANO:
  - (a) fails to comply with its obligations under the SPAs to complete the sale herein; or
  - (b) breaches a material term and/or condition of the SPAs; and/or is wound up or there is a winding up proceeding against PANO,

and provided that KAG have complied with all the terms and conditions of the SPAs up to PANO's default and which failure or breach (in respect of (a) or (b) above) is not remedied by PANO with 14 days from the date of receipt by PANO of a notice to remedy from KAG,

KAG shall be entitled to specific performance of the SPAs and all reliefs available to KAG in respect thereof wherein all costs and expenses incurred by KAG (including but not limited to the solicitors cost on solicitors and client basis) in connection therewith shall be paid and borne by PANO. Alternatively, KAG shall be entitled to terminate the SPAs by notice in writing to PANO. KAG shall within 14 days from the termination notice, re-deliver the Memorandum of Transfer and original Strata Title to PANO with PANO's interest remaining intact. In the event that the stamp duty has been paid on the Memorandum of Transfer, the Memorandum of Transfer shall be retained by KAG's Solicitors to obtain a refund of stamp duty.

#### **4. LIABILITIES TO BE ASSUMED**

Save for the obligations and liabilities arising from or in connection with the Settlement Agreement and SPAs (including subsisting tenancies to be taken over by KAG on the completion of the SPAs, if any), KAG Group will not be assuming any additional liabilities, including contingent liabilities and guarantees arising from the Proposed Settlement.

#### **5. RATIONALE FOR THE PROPOSED SETTLEMENT**

PANO has been unable to fulfil its financial obligations to the Group with its last progress payment received in November 2023.

In light of uncertainty of the economy, the Board of Directors have accepted PANO's proposal of settlement in kind by receiving commercial properties valued at RM6.75 million in lieu of the balance owing to the Company.

#### **6. RISK FACTOR**

##### **6.1 Non-completion of the Proposed Settlement**

The Settlement Agreement and the SPAs contains various terms and conditions governing the Proposed Settlement and the transfer of the Properties to KAG. In the event such terms and conditions are breached, the Proposed Settlement will not be completed and KAG will not be able to meet its objective as stated in Section 5 of this announcement.

As such, to mitigate these risks, the Board will take reasonable steps to ensure that every effort is made to obtain all the necessary approvals for the Proposed Settlement, if required, and ensure compliance with the terms and conditions of the Settlement Agreement and the SPAs in relation to KAG's obligations.

##### **6.2 Investment Risk**

Upon completion of the Proposed Settlement, KAG Group will be subject to inherent risks associated to property investment. These may include, amongst others, general economic downturn in the global and Malaysian economy, changes in the credit and interest rate conditions. Further, the value of the Properties may either be enhanced or diminished depending on factors such as the development and rental yields within the vicinity of the Properties, as well as the local and global market conditions. In view of this, KAG Group may be adversely affected by the relatively illiquid nature of real estate investments whereby the Group may be unable to sell the Properties on short notice given the potential change in value of the Properties or to meet cash flow requirements of the Group.

## **7. EFFECTS OF THE PROPOSED SETTLEMENT**

### **7.1 Share capital and substantial shareholders' shareholding**

The Proposed Settlement will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of KAG as the Proposed Settlement does not involve any issuance of new ordinary shares by KAG.

### **7.2 Net assets ("NA"), NA per share and gearing**

The Proposed Settlement is not expected to have any material impact on the consolidated NA, NA per share and gearing of KAG for the current financial year ending 31 March 2025.

### **7.3 Earnings and earnings per share**

The Proposed Settlement is not expected to have any material effect on the earnings and earnings per share of KAG Group for the current financial year ending 31 March 2025.

## **8. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Settlement pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad is 6.03% calculated based on the total settlement sums of the Debt which also deemed as the purchase consideration of the Properties.

## **9. APPROVALS REQUIRED**

The Proposed Settlement is not subject to the approval of the shareholders of the Company or from any relevant authorities.

## **10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors, major shareholders and/or chief executive of the Company and/or any person connected with them has any interest, either directly or indirectly, in the Proposed Settlement.

## **11. STATEMENT BY THE DIRECTORS**

The Board of Directors having considered all aspects of the Proposed Settlement, is of the opinion that the Proposed Settlement is fair and reasonable and is in the best interest of KAG.

## **12. ESTIMATED TIME FRAME FOR THE COMPLETION**

The Proposed Settlement is expected to be completed by third quarter of 2024.

### **13. DOCUMENTS FOR INSPECTION**

The Settlement Agreement and the SPAs are available for inspection at the registered office of the Company at 22-09, Menara 1MK, No. 1 Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur during normal office hours between Monday and Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 4 June 2024.

## **Appendix I**

### **DETAILS OF THE PROPERTIES**

The details of the Properties are as follows:

|                                                          | <b>Property 1</b>                                                                                       | <b>Property 2</b>                                                                                   | <b>Property 3</b>                                                                                  | <b>Property 4</b>                                                               | <b>Property 5</b>                                                              |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Property Type</b>                                     | Services Residence                                                                                      | Services Residence                                                                                  | Services Residence                                                                                 | Services Residence                                                              | Services Residence                                                             |
| <b>Address</b>                                           | A-G-01, Residensi Pano,<br>No. 556, Batu 3 ½, Jalan<br>Ipoh 51200 Kuala Lumpur                          | A-G-02, Residensi Pano,<br>No. 556, Batu 3 ½, Jalan<br>Ipoh 51200 Kuala Lumpur                      | A-G-03, Residensi Pano,<br>No. 556, Batu 3 ½, Jalan<br>Ipoh 51200 Kuala Lumpur                     | A-G-03A, Residensi Pano,<br>No. 556, Batu 3 ½, Jalan<br>Ipoh 51200 Kuala Lumpur | A-G-05, Residensi Pano,<br>No. 556, Batu 3 ½, Jalan<br>Ipoh 51200 Kuala Lumpur |
| <b>Tenure of the<br/>Property</b>                        | Freehold                                                                                                | Freehold                                                                                            | Freehold                                                                                           | Freehold                                                                        | Freehold                                                                       |
| <b>Gross Built-up<br/>area</b>                           | 75 square metres                                                                                        | 53 square metres                                                                                    | 169 square metres                                                                                  | 169 square metres                                                               | 169 square metres                                                              |
| <b>Existing and<br/>proposed use<br/>of the Property</b> | The Property is currently<br>rented to a tenant for a<br>tenancy period expiring<br>on 14 November 2025 | The Property is currently<br>rented to a tenant for a<br>tenancy period expiring on<br>14 July 2024 | The Property is currently<br>rented to a tenant for a<br>tenancy period expiring on<br>31 May 2025 | The Property is current<br>vacant                                               | The Property is current<br>vacant                                              |
| <b>Purchase Price</b>                                    | RM798,123.01                                                                                            | RM559,170.00                                                                                        | RM1,799,085.51                                                                                     | RM1,799,085.51                                                                  | RM1,799,085.51                                                                 |