

## **FAVELLE FAVCO BERHAD ("FFB" or "the Company")**

- **PROPOSED DEVELOPMENT OF TWO UNITS OF SINGLE-STOREY LOGISTIC WAREHOUSES WITH A COMBINED GROSS LETTABLE AREA OF 14,000 SQUARE METRES ON THE PROJECT LAND FOR LEASING PURPOSES (THE "PROJECT")**

### **1. Introduction**

The Board of Directors wishes to announce that the Company has entered into a Project Development Agreement ("**PDA**") with an experienced developer in Australia, namely Dexu Property Services Pty Limited ("**Dexu Property**") and Dexu Funds Management Limited ("**Performance Guarantor**") on 24 May 2024 for the design, construction, construction financing and tenant sourcing in respect of two units of single-storey logistic warehouses with a combined gross lettable area of 14,000 square metres ("**sqm**") ("**Warehouse Facilities**") on half of the freehold land measuring 46,839.7 sqm, bearing postal address 28 Yarrunga Street, Prestons, New South Wales 2170, Australia, already owned by the Company ("**Project Land**") (the "**Project**").

This Project Land shall be subdivided into 2 plots of land consists on plot 1 measuring 23,453 sqm which will house the Project ("**Lot 1**") and plot 2 measuring 23,386.7 sqm which will continue to be used by its subsidiary for its crane manufacturing business ("**Lot 2**"). As such, the Project will not affect the Company's existing operations.

The Company will pay development fee to Dexu Property amounting AUD39.8 million for delivering the Proposed Warehouse Development on turnkey basis upon achieving practical completion for this development.

Dexu Property will also endeavour to secure tenancy upon completion of the Project.

### **2. Details of the Proposal**

#### **2.1 Information of the Project Land**

The Project Land is a freehold industrial land that is strategically located between Sydney and the future Western Sydney Airport.

#### **2.2 Information of the Warehouse Facilities**

- a) The Warehouse Facilities consist of two (2) standalone logistic warehouses with 7,000 sqm of lettable space each.
- b) The expected rental for these 2 units of warehouse based on forecast will be in the range of AUD4.1 million to AUD4.9 million per year.
- c) This project will commence in June 2024 and is expected to be completed in the second quarter of 2026.

#### **2.3 Source of Funding**

The development costs of the Project is AUD39.8 million. This amount will be funded via a combination of internally generated funds and bank borrowings.

**3. Rationale of the Proposal**

The Project shall enable the Company to unearth the value of the Project Land's strategic location in this prime industrial area to generate rental returns to shareholders.

**4. Risks Factors of the Proposal**

The inherent risks of this Project include but are not limited to, the following:-

- a) The completion of the Project is subject to obtaining all relevant approvals/permits necessary for the Project, land subdivision and sewer connection. Completion may also be impeded by factors such as natural disasters and force majeure.
- b) Should there be an influx of warehouse facilities coming online in the Sydney in the future, competition and potential challenges in attracting tenants could arise.
- c) The rental yields are contingent upon demand and supply dynamics. This will be primarily influenced by the prevailing economic conditions.
- d) The interest rate risk arises due to fluctuation in market interest rates, which could impact the return of this Project.

**5. Financial Effects of the Proposal**

Subject to securing tenancy, this Project is expected to contribute positively to the future earnings of the Company for the financial year ending 31 December 2026 and beyond. The Project will not have any impact on the share capital and shareholding structure of the Company as it does not involve issuance of new ordinary shares in the Company.

**6. Highest Percentage Ratio Applicable to the Proposal**

This Project's net assets is approximately 17% of the audited consolidated net assets of the Company as at 31 December 2023. As such, no shareholders' approval is required

**7. Interests of Directors, Major Shareholders and/or Persons Connected with them**

None of the Directors, major shareholders of the Company and/or person connected to them has any interest, either direct or indirect, in the Proposal.

**8. Statement by the Board of Directors**

The Board, having considered all aspects of the Proposal, is of the opinion that the Proposal is in the best interest of the Company.

This announcement is dated 24 May 2024.