



SHL CONSOLIDATED BHD.

(Company No. 293565-W)

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PROPOSED ACQUISITION OF 60% EQUITY INTEREST IN GOODSTOCK LAND SDN BHD (“GSL”) BY SHL CONSOLIDATED BHD (“SHL” or “the Company”) FOR A CASH CONSIDERATION OF RM25.56 MILLION (“Proposed Acquisition”) FROM DATO’ YAP TEIONG CHOON AND DATO’ IR. YAP CHONG LEE (“the Vendors”)

1.0 Introduction

The Board of Directors of SHL Consolidated Bhd (“SHL”) wishes to announce that SHL had on 20th April 2010 entered into a sale and purchase agreement (“SPA”) with Dato’ Yap Teiong Choon and Dato’ Ir. Yap Chong Lee (collectively referred to as “the Vendors”) to purchase Nine Hundred Thousand (900,000) ordinary shares of RM1.00 each in the issued and paid-up capital of Goodstock Land Sdn Bhd (“GSL”) representing 60% of the total share capital of GSL for a total cash consideration of RM25,563,000 only (“Proposed Acquisition”).

2.0 Information on GSL

GSL was incorporated in Malaysia under the Companies Act, 1965 on 24 February 1982 as a private limited company. The existing authorised share capital of the Company is RM2,000,000 divided into 2,000,000 ordinary shares of RM1.00 each of which 1,500,000 ordinary shares of RM1.00 each have been issued and are fully paid-up.

The present shareholding structure of GSL is as follows:-

Shareholder	No. of shares held	% of shareholding
Dato’ Yap Teiong Choon	750,000	50.00
Dato’ Ir. Yap Chong Lee	750,000	50.00
Total	1,500,000	100.00

GSL is principally involved in the business of owning and letting of properties, and is the registered and beneficial owner of that piece of property, stipulated as Geran 53042, Lot 251, Section 43, Town and District of Kuala Lumpur together with a 19-storey purpose built office building with a mezzanine floor, a penthouse and a basement level mechanical car park known as Wisma Sin Heap Lee and bearing postal address 346, Jalan Tun Razak, 50400 Kuala Lumpur (“the said Property”). The said Property is currently charged to Malayan Banking Berhad for a short-term revolving credit of RM6,000,000.

As at 31 December 2009, the net book value of the said Property in the books of GSL is RM20,508,863. Messrs Henry Butcher Malaysia Sdn Bhd, an independent registered valuer appointed by SHL, had on 7 April 2010 assessed the market value of the said Property to be RM48,000,000.

The audited net assets value and net profit of GSL for the year ended 31 December 2009 are RM20,113,784 and RM242,515 respectively.

Subsequent to the financial year ended 31 December 2009, GSL had declared and paid a single-tier dividend of RM2,000,000.

As at 15 April 2010, the Vendors are indebted to GSL by RM2,970,000 each ("the Debt").

3.0 Salient Terms of the SPA

3.1 Sale and Purchase of GSL Shares:

Subject to the terms and conditions of the SPA, the Vendors hereby, jointly and severally, agree to sell to SHL 900,000 ordinary shares of RM1.00 each in GSL each fully paid or credited as fully paid ("the Sale Shares") and SHL hereby agrees to purchase from the Vendors the Sale Shares free from all rights of preemption, charges, options, liens, restraints, encumbrances and equities and with all rights now and hereafter attaching thereto and all dividends and distributions declared or made in respect thereof after the date hereof:-

Name of Vendors	Number of Sale Shares	Purchase Price
Dato' Yap Teiong Choon	450,000	RM12,781,500
Dato' Ir. Yap Chong Lee	450,000	RM12,781,500
Total	900,000	RM25,563,000

3.2 Purchase Price:

3.2.1 The purchase price for the Sale Shares is the sum of RM25,563,000 only ("the Purchase Price"), which shall be paid to the Vendors in equal share and more particularly described in the above-mentioned table.

3.2.2 The Purchase Price shall be paid in the following manner:

- (a) upon the execution of this Agreement the sum of RM2,556,300 only, being 10% of the Purchase Price only to the Vendors in equal share;
- (b) RM23,006,700 only (hereinafter referred to as 'the Balance Sum') to the Vendors' Solicitors within thirty (30) days of the Unconditional Date (as hereinafter defined) (hereinafter referred to as "the Completion Date").

3.2.3 The Vendors' Solicitors are hereby expressly authorised by the Vendors to utilise and deal with the Balance Sum in the manner as follows:-

- (a) to pay a sum equivalent to the Debt or such amount as shall be owing by the Vendors to GSL, as follows:

Vendors	Amount Owing to GSL (RM)
Dato' Yap Teiong Choon	2,970,000
Dato' Ir. Yap Chong Lee	2,970,000
Total	5,940,000

- (b) release the balance of the Balance Sum, after the payment of the Debt, to the Vendors in equal proportion.

4.0 Determination of the Purchase Consideration and Source of Funding

The purchase consideration of RM25,563,000 only for the Proposed Acquisition is arrived at on a willing buyer-willing seller and as-is basis after taking into consideration the following:

- 4.1 Messrs Henry Butcher Malaysia Sdn Bhd, being the independent registered valuer appointed by SHL, had on 7 April 2010 assessed the market value of the said Property to be RM48,000,000 using the investment and comparison methods of valuation.
- 4.2 For the purpose of the Proposed Acquisition, SHL and the Vendors have agreed to adopt a revised valuation of RM45,000,000 only for the said Property. The revised valuation represents a discount of approximately 6.25% over the appraised market value of the said Property
- 4.3 Taking into consideration the revaluation surplus of RM24,491,137 (based on the revised valuation of RM45,000,000) and the dividend of RM2,000,000 declared and paid after the financial year ended 31 December 2009, the adjusted/proforma net asset value of GSL as at 31 December 2009 is calculated to be RM42,604,921.
- 4.4 Based on adjusted/proforma net asset value of GSL as at 31 December 2009 of RM42,604,921, the value of 60% interest in GSL, rounded to the nearest thousand Ringgit Malaysia is RM25,563,000.

The purchase consideration will be funded by way of internally generated funds.

5.0 Rationale of the Acquisition

According to the budget of GSL for the financial year ending 31 December 2010, GSL is expected to receive total annual rental of RM2,727,528. SHL, as the largest single tenant, is presently occupying five and a half (5½) floors in the said Property for a total annual rental of approximately RM875,520. The Proposed Acquisition will enable SHL to recover RM525,312, being 60% of the share of rental payable by SHL to GSL. In total, SHL will earn an annual rental income of approximately RM1,463,256.00 from its 60% share of rental income derived from the said Property. The rental savings and additional rental income provide a source of sustained recurring income to SHL.

The Property is also strategically located near the intersection of Jalan Tun Razak and Jalan Ampang, near to the KLCC development. The vicinity is undergoing major upgrading in terms of the grade and variety of property development projects. The new developments in the vicinity include the Intermark/DoubleTree (re-development of City Square/Crown Princess/Plaza Ampang), The Icon, G-Tower. Located within the vicinity are also established landmark such as Menara Citibank, PNB Building, Lembaga Tabung Haji Building, Darby Park and several high-end residential developments. With the combination of strong demand of office space in the Golden Triangle and the completion/upgrading of several neighbouring developments, the said Property stands to benefit from attractive rental yields, rental growth and appreciation in capital value, especially with the expected economic recovery.

According to the budget of GSL for the financial year ending 31 December 2010, GSL is expected to achieve a profit before taxation of approximately RM1,810,367. Based on the 60% share of expected profit before taxation of RM1,086,220, the Proposed Acquisition will also enable SHL to better utilize some of its cash reserves as the expected rate return on investment of 4.25% per annum is higher than the average quoted fixed deposit of 2.25% to 2.60% per annum enjoyed by SHL for tenures between one (1) to twelve (12) months.

Lastly, the Proposed Acquisition of the said Property will provide SHL with 60% ownership of the said Property, thus giving it an ownership over and certainty on the location of its headquarters. SHL will also have control over the tenant mix and management of the office building.

6.0 Rights and Liabilities to be Assumed

As disclosed in section 2.0 above, GSL has an outstanding short-term revolving credit of RM6,000,000 owing to Malayan Banking Berhad.

SHL will not assume any liabilities pursuant to the Proposed Acquisition.

There are no other financial commitments required in respect of the Acquisition.

7.0 Financial Effects of the Proposed Acquisition

7.1 Earnings Per Share

The Proposed Acquisition is not expected to have any material effect on the group earnings and the earning per share of SHL for the financial year ending 31 March 2011. The Board is of the opinion that the Proposed Acquisition will contribute positively to the future earnings of SHL Group.

7.2 Net Assets Per Share

The Proposed Acquisition will not have any material effect on the net assets per share of SHL Group for the financial year ending 31 March 2011.

7.3 Gearing

The Proposed Acquisition will not have any material effect on the gearing of SHL Group for the financial year ending 31 March 2011.

7.4 Share Capital and Substantial Shareholders' Shareholding

The Acquisition will not have any effect on the issued and paid-up share capital or the shareholdings of the major shareholders of SHL as the purchase consideration is to be satisfied entirely by cash.

8.0 Prospects of the said Property

The said Property is a freehold property strategically located in the area of the Golden Triangle, Kuala Lumpur's premier business district and an established high-end residential and commercial area. With a significant presence of local and multi-national corporations, the Golden Triangle has experienced consistently robust demand for its limited supply of prime office rental space, leading to high occupancy rates. The said Property thus stands to benefit from potential rental growth and capital appreciation. The Proposed Acquisition is expected to provide the SHL Group with an additional source of revenue and the ability to tap into any future capital appreciation of the said Property.

9.0 Risk Factors

9.1 Business Risk

Gross rental income and the value of the said Property may be affected by the ability to rent and rental collection on a timely basis, the occupancy rates upon expiry or termination of leases, and fluctuation of rental rates upon renewal of tenancy. The ability to rent and rental rates are also subject to competition from properties within the vicinity.

To mitigate the risk for non-renewal of tenancy agreement, GSL has entered into long-term tenancy arrangement with some of its tenants (one (1) tenancy agreement with tenure for nine (9) years and ten (10) tenancy agreements with tenure for three (3) years). Upon completion of the Proposed Acquisition, SHL will have management control over GSL and the said Property. Toward this end, SHL is committed to continue with those long-term tenancy agreements. SHL will however work with established property agencies for opportunities to improve the profile of its tenants and rental rates.

9.2 Asset Management Risk

The value of the real property is always susceptible to depreciation due to the wear and tear as well as lack of up-keeping. SHL recognises that the application of the effective asset solutions to enhance the life-cycle is crucial in maintaining and enhancing the value of the said Property.

In terms of building maintenance, SHL will apply established asset management methodology and approach in preventive and remedial maintenance to ensure that the said Property is kept at good, serviceable condition.

As mentioned earlier, the said Property is located within the Golden Triangle in the heart of Kuala Lumpur. To capitalise on its good location and development within the vicinity, SHL intends to undertake interior refurbishment/improvements as one of the best solutions to ensure the market value and rental rates of the said Property are enhanced.

9.3 Economic, Political and Regulatory Risks

At the macro level, the prospects and profitability level of the said Property may also be affected by any development in the economic, political and regulatory environment of Malaysia. Political and economic uncertainties include (but are not limited to) changes in general economic, business and credit conditions, Government legislations and policies affecting property investors, inflation, interest rates, fluctuation in foreign exchange rates, political or social development, renegotiation or nullification of existing contracts and method of taxation.

While the SHL Group practises prudent financial risk management and efficient operating procedures, there is no assurance that adverse economic and political developments, which are beyond the control of the SHL Group, will not materially affect the Group.

10.0 Approval Required

The Acquisition is not subject to the approval of SHL's shareholders and any relevant government authorities.

11.0 Directors' and Major Shareholders' Interest

Save as disclosed below, none of the Major Shareholders and Directors of SHL and/or person connected to them have any interest, direct or indirect, in the Proposed Acquisition:

11.1 Directors' and Major Shareholders' Interest as at 31 March 2010 are as follows:

Related Parties	No. of Ordinary Shares Held			
	Direct	%	Indirect	%
Dato' Yap Teiong Choon	5,283,869	2.18	58,421,884	24.13
Dato' Ir. Yap Chong Lee	3,131,819	1.29	84,105,782	34.74

Dato' Yap Teiong Choon and Dato' Ir. Yap Chong Lee both are Directors and Major Shareholders of SHL are deemed interested in the Proposed Acquisition ("Interested Directors").

Dato' Yap Teiong Choon and Dato' Ir. Yap Chong Lee both are Directors and Major Shareholders of SHL have abstained and will continue to abstain from deliberating and voting on the Board resolution in respect of the Proposed Acquisition.

11.2 In the twelve (12) months preceding the date of this announcement, the total amount (recurrent related party transactions) transacted by SHL Group with GSL was approximately RM1,077,110.

12.0 Related Party Transactions

In view of Item 11.0 above, the Proposed Acquisition are deemed to be related party transaction under Chapter 10 of the Main Market Listing Requirements.

Pursuant to paragraph 10.02(g) of the Main Market Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisition is 4.94% of the net asset of SHL based on its Audited Financial Statements for the financial year ended 31 March 2009.

Pursuant to paragraph 10.08 of the Main Market Listing Requirements, the Proposed Acquisition do not require the appointment of an independent adviser or the approval of the Shareholders of SHL as the highest percentage ratio applicable to the Proposed Acquisition is less than 5%, as disclosed above.

13.0 Statement of the Board of Directors

The Board (save for the Interested Directors who are deemed interested in the Proposed Acquisition), after having considered all aspect of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the SHL Group.

14.0 Audit Committee's Statement

The Audit Committee of SHL, having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:

- (a) in the best interest of SHL after taking into consideration the rationale disclosed in Item 5.0 of this announcement;
- (b) fair and reasonable based on normal commercial terms, as the purchase price was arrived at after taking into consideration the market value of the said Property as appraised by Messrs Henry Butcher Malaysia Sdn Bhd; and
- (c) not detrimental to the interest of the minority shareholders as the Proposed Acquisitions are expected to improve the financial performance of SHL in the future.

15.0 Targeted Date of Completion

Barring unforeseen circumstances, the Acquisition is expected to be completed on 21 May 2010.

16.0 Departure from Securities Commission's Policies and Guidelines on Issue/Offer of Securities ("SC Guidelines")

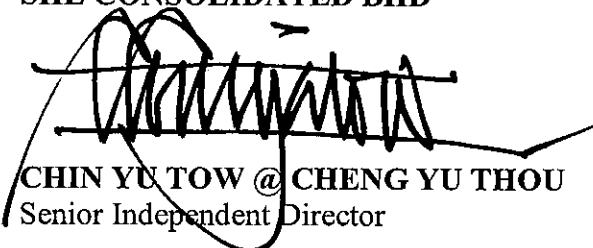
To the best knowledge of the Board, the Acquisition does not depart from the SC Guidelines.

17.0 Documents Available for Inspection

The SPA, valuation report and valuation letter from Henry Butcher Malaysia Sdn Bhd for the said Property may be inspected at the registered office of SHL at 6th Floor, Wisma Sin Heap Lee, 346 Jalan Tun Razak, 50400 Kuala Lumpur during the normal office hours from Monday to Friday (except for public holidays) for a period of three (3) months from the date of the announcement.

This announcement is dated 20th April 2010.

Yours faithfully,
For and on behalf of the Board
SHL CONSOLIDATED BHD



CHIN YU TOW @ CHENG YU THOU
Senior Independent Director