



CLASSITA HOLDINGS BERHAD
[Registration No. 199601036023 (408376-U)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY GENERAL MEETING (EGM) OF CLASSITA HOLDINGS BERHAD (CLASSITA OR THE COMPANY) HELD AT LANGKAWI ROOM, LEVEL 2, MAIN CLUB HOUSE, BUKIT JALIL GOLF & COUNTRY RESORT, JALAN JALIL PERKASA 3, BUKIT JALIL, 57000 KUALA LUMPUR, WILAYAH PERSEKUTUAN (KL) ON WEDNESDAY, 8 JANUARY 2025 AT 10.00 AM.

1. “Barring any unforeseen circumstances, the Board believes the Proposed Diversification will potentially contribute positively to the Group’s future earnings. Nonetheless, upon completion of the Proposed Diversification, the Group’s existing businesses would remain and continue as part of the core business of the Group.” (page 14 of the Classita’s Circular)

Apart from the core business of undergarment manufacturing, Classita is also involved in direct selling/retail as well as property development and construction activities.

- a. As of 30 June 2024, Classita reported a net loss of RM3.19 million with all operating segments incurring losses (page 3 of the Circular). Considering such performances, shouldn’t the Board prioritise turning around existing business segments before pursuing new ventures?

Please clarify the Company’s current and future priorities.

Answer

The manufacturing segment remains the core business of Classita Group and the Board is committed to revitalising this business segment to strengthen our financial performance.

For the manufacturing segment, the Group is actively pursuing market expansion opportunities outside Malaysia to drive revenue growth and diversify our geographical reach worldwide. Recent business developments, such as the successful entry into the Turkish market in FYE 2024 and receiving increased inquiries for our OEM products with unique materials and designs, from markets like France, Japan and Australia, underscore the Group’s commitment to leveraging our manufacturing expertise to expand our global footprint and capture new business opportunities.

In addition, the Group remains committed to our construction and property development business, with ongoing construction projects in the towns of Bentong, Kinta and Tapah, further solidifying our presence in the construction and property development sector. Nevertheless, the Group faced market saturation in certain areas, especially in the construction and development projects for new residential and commercial projects. Therefore, the Group is



diversifying into the Property Business by leveraging the Group's expertise and management capabilities in the property development industry.

- b. The property development and construction has yet to make significant financial contributions since its inception in 2022 via the acquisition of a 97.24% stake in Kepayang Height Sdn Bhd (pages 2 – 5 of the Circular). This may raise questions about the Company's capability to execute new ventures successfully. How will the new venture be different this time?

Answer

Kepayang Heights Sdn Bhd ("KHSB")'s lack of significant financial contributions to date is primarily due to the time required for project handovers and obtaining approvals from the relevant authorities for the Bentong Project. Despite these delays, the Group has made progress on KHSB, including securing an approved development order valid until 7 March 2025 and receiving approval for earthwork, road and drainage plans as of 18 November 2024. The Group is now awaiting final clearance from the land office of Bentong District, positioning the Bentong Project for active development in the near future.

The new venture into the Property Business represents a distinct shift from property development and construction segment of the Group. For property investment segment, the Group plans to acquire and hold prime retail spaces designed to provide a steady rental income stream.

Meanwhile, the property trading segment focuses on acquiring undervalued retail units and capitalising on market conditions for value appreciation. By diversifying into the Property Business, the Group is mitigating risks associated with the long development cycles of the existing property construction and development segment and instead leveraging opportunities for comparatively quicker revenue generation and sustained profitability. This strategy reflects a calculated and measured approach to ensure the success of the Property Business while complementing its existing business segments.



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- c. Please clarify the capital requirements for the undergarments manufacturing, property development and construction, as well as the proposed new business over the next two to three years

Answer

Manufacturing Segment

The Group anticipates a working capital of approximately RM4 million annually over the next two to three years. This working capital will be utilised to support the manufacturing and operational activities, procurement of raw materials and operational expenses.

Property Development and construction segment

The Group expects a capital of approximately RM70 million for the Kinta and Bentong Project over the next two to three years. This allocation will cover costs related to project planning, earthworks, infrastructure development and construction activities and are strategically positioned to revitalise the property development and construction segment, enabling the Group to generate substantial returns in the long term.

Property Investment and Property Trading segment

The Group expects that it would require an initial amount of approximately RM0.40 million and RM0.70 million primarily as working capital for the management and maintenance of the Subject Properties for the next 12 months and next 24 months, respectively. However, the exact capital required for the broader expansion of the Property Business remains undetermined at this stage, as it will depend on factors such as market conditions, strategic acquisition opportunities and operational demands.



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2. As part of the Proposed Diversification, the Company acquired 18 retail shop units (referred to as Subject Properties) in Kajang, Selangor for RM17 million back in May 2024. These Subject Properties are located within the Louvre Residence in Kajang. As of 30 June 2024, the Group had already paid a deposit amounting to RM4.7 million.
- a. Louvre Residence has been classified as a “sick project” by the Ministry of Housing and Local Government, as it has experienced delay by more than 30% of its anticipated completion date or where the sale and purchase agreement has lapsed.

Additionally, the project has a low take-up rate of 55.8%, with 220 units out of 498 serviced apartment units remaining unsold since its launch in 2015. (Source: <https://teduh.kpkt.gov.my/project-swasta/13933-1>)

In terms of location, there is a notable absence of major commercial developments within walking distance. The nearest mall, De Centrum Mall, is located 4.5 km away, accessible only by driving.

Considering the project status, low take-up rate, and lack of commercial development nearby, what catalysts are expected to enhance the value appreciation of the retail units and improve their market appeal to prospective tenants?

Answer

Despite the challenges associated with the project’s classification as a “sick project”, the Subject Properties expected completion date and delivery of vacant possession is within 1st quarter of 2025. The Subject Properties are situated in the affluent Country Heights enclave in Kajang, benefiting from strong infrastructure and proximities to major highways such as the Kajang Dispersal Link Expressway (SILK) and the North-South Expressway (NSE). These factors enhance accessibility to urban centers like Kuala Lumpur and Putrajaya, increasing their appeal to prospective tenants and customers. The Subject Properties are surrounded by well-established high-end residential, factories, training centers and universities.

In addition, the Subject Properties are surrounded by well-established and matured communities which offers opportunities for new developments that align with the modern infrastructure and lifestyle demands. The Board is of the view that Kajang’s ongoing urbanisation and infrastructure developments have positioned it as an emerging hub with growing demand for residential and commercial properties. Additionally, favorable market trends, such as increasing property transaction values and steady price appreciation in the Kajang provide strong catalysts for value appreciation. Further, the experienced management team of Classita will leverage their property expertise to enhance the market appeal and profitability of the retail units over time.

The abovementioned factors contribute to the potential for enhanced customer traffic and value appreciation for the Subject Properties.

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- b. Please provide insights into the market value trends for commercial properties e.g., shoplots in the surrounding area over the past five years.

Answer

The commercial property sector in Selangor, including Kajang, has shown an upward trend in transaction values, with a 41.5% increase in the first half of 2024 compared to the same period in 2023.

The indicative market price for the transacted properties of similar nature as shown in page 10 of the Circular, ranges from RM573.21 per square foot to RM1,071.96 per square foot.

The range of selling prices of commercial properties located in Kajang sold in the lower quartile, median and upper quartile positions are RM422 per square foot, RM641 per square foot and RM873 per square foot, respectively based on 132 transactions available between April 2023 and March 2024.

(Source: [mycty_51559/](https://www.iproperty.com.my/transaction-price/residential/kajang-mycty_51559/))

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c. Please share photos or videos of the Subject Properties for shareholders' information.

Answer

Outdoor view of the Subject Properties:



Indoor view of the Subject Properties:



3. Datuk Kuan Poh Huat, an executive director of Classita served as a director of Paris Dynasty Land Sdn Bhd (PDL SB), the developer of the Louvre Residence, between 5 April 2019 and 23 March 2023 (page 12 of the Circular). PDL SB is also the vendor of the Subject Properties
- a. Please clarify the relationship between Datuk Kuan and PDL SB, including whether he has or had any commercial dealings with PDL SB.

Answer

Datuk Kuan has a professional relationship with PDL SB through his role as a managing director of Hien Seng Consultancy Sdn Bhd, which provides consultancy services in relation to property development matter to PDL SB on an arm's length basis. These consultancy services are conducted in the ordinary course of business of Hien Seng Consultancy Sdn Bhd and adheres to standard commercial terms and practices. Aside from this consultancy arrangement between Hien Seng Consultancy Sdn Bhd and PDL SB, there are no other commercial dealings between Datuk Kuan and PDL SB.

- b. What led to the decision to venture into the property investment and trading business, specifically the acquisition of the 18 retail units in the Louvre Residence?

Answer

Classita's venture into the Property Business via the acquisition of the Subject Properties is a key component of its diversification strategy aimed at generating stable and recurring income in order to create shareholders' value.

In addition, the Subject Properties are located in a high-potential area with growing demand for both residential and commercial properties, driven by its prime location, strong infrastructure and proximity to transportation, business and lifestyle hubs. The Group has identified the Subject Properties as a strategic location to initiate its property portfolio expansion, which will focus on both capitalising on property appreciation and generating rental income.



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- c. What procedures and considerations did the Audit Committee undertake to evaluate and approve this transaction?

Answer

The Audit Committee (AC) undertook a thorough evaluation of the acquisition of the Subject Properties to ensure it aligned with the Group's strategic goals and safeguarded shareholder interests.

This included reviewing the terms of the sale and purchase agreements, risk arising from the acquisition of the Subject Properties, purpose, objectives and strategic rationale behind the acquisition of the Subject Properties to ensure that it is aligned with the Group's long-term goals and confirming its role in supporting the Group's diversification into the Property Business. The AC also assessed the purchase price of the Subject Properties by comparing it against the property transactions for similar properties in Kajang area to confirm its fairness against the similar surrounding properties. In addition, inputs from independent registered valuers and internal assessments were also considered to validate the reasonableness of the purchase price. The AC also reviewed the payment terms and the source of funds for the acquisition of the Subject Properties, which involved a combination of internally generated funds and proceeds from the Rights Issue, ensuring the transaction did not strain the Group's financial position.



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4. While the Proposed Diversification is tabled pursuant to Paragraph 10.13(1) of the Listing Requirements, how differently is the Property Business compared to the Property Development and Construction Segment?

The property construction and development projects involve the selling of developing or completed properties which are consistent with Property Trading, and any unsold completed units can be rented and/or held for capital appreciation which are consistent with Property Investment.

As such, is it necessary to seek such approval for the Group to venture into the Property Business?

Answer

The Property Development and construction, being the existing business activities of Classita, refers to converting raw land to finished units such as houses, shop houses and others.

The Property Business in the circular announced on 24 December 2024 refers to Property investment and property trading business. For property investment, the Group aims to acquire and hold prime retail spaces which shall provide a steady rental income stream. Through property trading, the Group plans to capitalise on the potential value appreciation of the retail units by acquiring and selling them when market conditions are favorable, generating significant returns.

The Group expects that the Property Business may contribute more than 25% of the net profits of the Group or cause a diversion of more than 25% of its net assets. Hence, the Board proposes to seek approval from the shareholders of Classita for the proposed diversification of the existing businesses of Classita Group to include the Property Business.

5. Has the existing team led by Datuk Kuan with the assisting staff identified any additional opportunity (apart from the 18 retail units of shop lots as announced) to invest in undervalued and high-demand areas, markets, or prime locations, with growth potential, consistent rental yields, and capital appreciation prospects?

Answer

The Group has not identified any prospective property for investment at this juncture.

6. Who came out with the idea of venturing into property investment and trading business?

Answer

The Board of Classita has collectively decided to venture into property investment and trading business.

7. The Subject Properties have low take-up rates and whether consideration is given to other projects in other areas?

Answer

The Board believes the acquisition of the Subject Properties is a good-buy, mainly due to its prime location with access to major highways. Additionally, the Board remains open to exploring opportunities within the property industry, focusing on undervalued markets and areas with sustainable demand.

8. As mentioned, the Subject Properties have low take-up rates and whether this project is able to attract new tenants and what types or category of tenants that Classita is aiming at.

Answer

The Subject Properties are surrounded by establishments such as universities and schools which leads to rental enquiries from operators of food and beverages, tuition centers, clinics and others.

9. Noting that the Subject Properties were sold below market price hence, the Subject Properties may have issues relating to its the pump and facilities.

Answer

The Board would closely follow up with the developer of the Subject Properties to obtain the Certificate of Compliance (CCC).

10. With reference to page 5 of the Circular to Shareholders, where is location for the Bentong project?

Answer

The Bentong project is located nearby Fantasy Valley Restaurant in Kampung Bukit Tinggi.