

PART B – EXPLANATORY STATEMENT TO SCHEME CREDITORS

1. INTRODUCTION AND BACKGROUND
2. CURRENT STATUS OF THE COMPANY
3. PROPOSED SCHEME OF ARRANGEMENT – AMBIT & OBJECTIVE
4. COMPROMISE WITH ABMB
5. PROPOSED SCHEME OF ARRANGEMENT – SALIENT FEATURES
6. IMPLEMENTATION OF PROPOSED SCHEME OF ARRANGEMENT
7. SCHEME CONDITIONS PRECEDENT
8. DISPUTED PURCHASERS
9. RATIONALE FOR THE PROPOSED SCHEME OF ARRANGEMENT
10. POST SCHEME OF ARRANGEMENT – TREATMENT OF UNSECURED CREDITORS’ CLAIMS
11. LIQUIDATORS’ RECOMMENDATION
12. EXCLUSION OF LIABILITY
13. SCHEME CREDITORS’ MEETINGS AND PROXIES FOR SCHEME CREDITORS

KORAKYAT PLANTATIONS SDN. BHD. (144726-A)
(IN LIQUIDATION)
c/o Ler Lum & Co.
B-3-11, Megan Phileo Avenue
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur.
Tel: 03 2715 1555/5150 Fax: 03 2163 4609

To : Scheme Creditors

Dear Sir/Madam,

Re : Proposed Scheme of Arrangement Between Korakyat Plantations Sdn Bhd (In Liquidation) and the Purchasers Pursuant to Section 176 of Companies Act, 1965

“Act”	The Companies Act 1965.
“ABMB”	Alliance Bank Malaysia Berhad (Company No.88103-W) (formerly known as Multi-Purpose Bank Berhad)
“Company”	Korakyat Plantations Sdn Bhd (Company No.144726-A) (In Liquidation) including where the context so requires the Liquidators.
“Completion Costs”	The estimated building costs to complete the Project until the stage that water and electricity supply are ready for connection to the respective units and delivery of vacant possession thereof can be effected and, in relation to the respective units, a proportionate amount thereof attributable to the completion of such unit. The particulars of the Completion Costs are shown in Schedule A to this Explanatory Statement.
"Conditions of Completion”	The terms and conditions appearing in the 1 st Schedule to the Proposed Scheme of Arrangement to be read together with the Sale and Purchase Agreements and expressly regulating, inter alia, the payment of the Fund, the management of the Escrow Account and the handing over of the vacant possession of the respective units to the Participating Purchasers and ABMB, as the case may be.
“Contribution Threshold”	The notional value of approximately RM32,000,000.00 which would be reached based on the number of Participating Purchasers and their expected cumulative payments towards the Fund.
“Court Sanction”	The approval of the High Court of the Proposed Scheme of Arrangement under Section 176 of the Act before the same can

EXPLANATORY STATEMENT TO THE
PROPOSED SCHEME OF ARRANGEMENT

	be implemented.
“Cut-Off Date”	The date of 10.5.2000 being the date of the winding up order made by the High Court against the Company.
“Disputed Purchasers”	Purported purchasers to sale and purchase agreements with the Company which are deemed void or voidable under Section 293 of the Act.
“Escrow Account”	The account where the Fund will be maintained and managed by the Liquidators.
“Fund”	The fund maintained by the Liquidators in the Escrow Account for the purposes of funding the Scheme Costs.
“High Court”	The High Court of Malaya at Kuala Lumpur.
“Lands”	The lands held under Master Titles No. H.S.(D) 85492, P.T. 24900 and H.S.(D) 85493, P.T.249100, Mukim and District of Petaling, Selangor.
“Liquidators”	Ler Cheng Chye and Lum Tuck Cheong, of Messrs. Ler Lum & Co. with an address at B-3-11 Megan Phileo Avenue, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.
“Non-participating Purchasers”	Purchasers who do not vote for the Proposed Scheme of Arrangement or having voted in favour of it but subsequently fail or neglect to make full proportionate payment towards the Fund.
“Outstanding Progress Billings”	The amounts outstanding and payable by the Participating Purchasers under their respective Sale and Purchase Agreements.
“Participating Purchasers”	Purchasers who vote for the Proposed Scheme of Arrangement and who effect full proportionate payment towards the Fund.
“Progress Payments”	The payments already paid or deemed to have been paid or otherwise already due and payable by the Purchasers under their respective Sale and Purchase Agreements.
“Project”	The development known as Taman Perindustrian Subang Mewah being undertaken on the Lands.
“Proposed Scheme of Arrangement”	The proposed scheme of arrangement between the Company and the Purchasers.
“Purchasers”	The parties whose names appear as purchasers in the Sale and Purchase Agreements, excluding the Disputed Purchasers. For those purchasers who have assigned their rights under such Sale and Purchase Agreements, then such reference will be to the

EXPLANATORY STATEMENT TO THE
PROPOSED SCHEME OF ARRANGEMENT

	assignee. Unless the context suggests otherwise, the expression also includes both Participating Purchasers and the Non-participating Purchasers.
“Purchase Price”	The price of the respective factory units as set out in section 1 of the 2 nd Schedule of the Sale and Purchase Agreements or as duly adjusted.
“Sale and Purchase Agreements”	The sale and purchase agreements previously entered into between the Company and the Purchasers for the conveyance of the respective units of the Project.
“Scheme Conditions Precedent”	The conditions precedent set out in paragraph 7 of the Explanatory Statement which the Proposed Scheme of Arrangement are subject and which are made up of the Statutory Approvals for the Proposed Scheme of Arrangement, the Contribution Threshold and the Court Sanction.
Scheme Costs	The total costs of or arising out of or incurred in the implementation and completion of the Project and the Proposed Scheme of Arrangement including the Completion Costs as shown in the Schedule A of the Explanatory Statement.
“Scheme Creditors”	Purchasers.
“Scheme Creditors’ Meeting”	The meeting for the Scheme Creditors being the Purchasers to be convened pursuant to Section 176 to the Act.
“Scheme of Arrangement”	The Proposed Scheme of Arrangement upon it being effective, whether with or without modifications.
“Settlement Units”	The 26 or such other units from the Project which the Company may with the agreement of ABMB select, and, which shall have a cumulative notional value of RM6,809,000.00, to be transferred to ABMB as full and final settlement of ABMB’s claim. The particulars of the said 26 units are contained in Schedule B to the Explanatory Statement.
“Statutory Approvals”	The approval required under Section 176 of the Act being a majority in number representing three-fourths in value of the class of Purchasers voting at the Scheme Creditors’ Meeting.
“Top-up Payment”	The amount payable by each of the Participating Purchasers to be maintained in the Fund and which is calculated at 20% of their respective Purchase Price.
“Undisposed Units”	The total factory units remaining of the 478 deducting the Settlement Units and those units to be conveyed to the

	Participating Purchasers.
“Unsecured Creditors Claims”	The claims of all other creditors of the Company excluding those of the Participating Purchasers and ABMB.
“Vendor”	The Company.

1.0 INTRODUCTION AND BACKGROUND

- 1.1 Korakyat Plantations Sdn Bhd (In Liquidation) (“**the Company**”) is a company incorporated as an investment holding company on 12.9.1985 with a paid up capital of RM1,000,000.00. At all material times, the Shareholders of the Company and their respective shareholdings were as follows : -

Name of Shareholder	No. of Shares held
Tan Seng Chai	500,000
Lt. Jen. (B) Tan Sri Mohamed b Ngah Said	250,000
Koh Ah Lan	250,000

- 1.2 At all material times since 1995 the Company has been involved in the development of the project known as Taman Perindustrian Subang Mewah (“**the Project**”) which is a mixed commercial and light industrial development consisting of 478 factory units. The Project is located on two parcels of lease hold industrial land, held under Master Titles No. H.S.(D) 85492, P.T. 24900 and H.S.(D) 85493, P.T. 24901, Mukim and District of Petaling, Selangor (“**the said Lands**”). The said Lands measure a total of 78.855 acres with leasehold terms expiring on 21.2.2093 and form the sole asset of the Company.
- 1.3 Of the 478 factory units, 407 units have been disposed of to Purchasers pursuant to Sale and Purchase Agreements entered into with the Company. Of the remaining 71 units, 68 units are the subject of Sale and Purchase Agreements the status and validity of which are uncertain and which are discussed herein below. The balance 3 factory units were and remain unsold.
- 1.4 In connection with the implementation of the Project, the Company had obtained a bridging loan from Alliance Bank Malaysia Berhad (“**ABMB**”). The amount of the bridging loan was RM 24 million. Pursuant to such a facility, the Company granted ABMB a debenture creating a fixed and floating charge over the assets of the Company. In addition, ABMB has a National Land Code Charge over the said Lands.
- 1.5 Sometime in November 1998, the Company defaulted on the said facility with the result that ABMB appointed a receiver and manager over the Company pursuant to the said debenture. Subsequently, ABMB on 3.2.2000 presented a

petition under Section 218 of the Act seeking to wind-up the Company on grounds of insolvency. As at the date of the winding-up order, the amount claimed by ABMB was RM 6,993,790.08.

- 1.6 The Petition was neither opposed by the Company nor its Directors nor Shareholders with the result that by a court order of 10.5.2000 given in Kuala Lumpur High Court Companies (Winding-Up) No. D3-28-105-2000, the said High Court ordered that the Company be wound-up and appointed the Liquidators. In the meantime, the receiver and manager was on or about 5.6.2000 discharged.
- 1.7 The purpose of this Explanatory Statement is to describe the Proposed Scheme of Arrangement for the purpose of obtaining the approval of the Scheme Creditors at the Scheme Creditors' Meeting.

2.0 CURRENT STATUS OF THE COMPANY

- 2.1 Since their appointments, the Liquidators have sought to ascertain and settle the affairs of the Company and for this purpose, the Liquidators have relied substantially, if not solely, on the Company's existing documents as well as documents which the Liquidators have in due course procured including from the Purchasers and ABMB. The Liquidators have not been able to contact any of the Directors of the Company and therefore have not had the benefit of the Statement of Affairs which the Directors are required to submit under the provisions of the Act.
- 2.2 Given the limitations set out above, the Liquidators are unable to provide or accurately provide the current financial position of the Company. Nevertheless, the Liquidators have been able to ascertain that the principal creditors of the Company, excluding the secured claim of ABMB, are the Purchasers who the Liquidators have classified as unsecured creditors of the Company to the extent of the amounts of Progress Payments made pursuant to their respective Sale and Purchase Agreements and other unsecured creditors who essentially comprise the Main Contractor for the said Project whose claims are presently the subject matter of further verifications by the Liquidators including the question of whether there exists any cross claims by the Company in respect of the execution of the works for the Project.

3.0 PROPOSED SCHEME OF ARRANGEMENT – AMBIT & OBJECTIVE

- 3.1 The Proposed Scheme of Arrangement is formulated and proposed by the Liquidators for and on behalf of the Company under the provisions of Section 176 of the Act and is essentially intended to address the position of the Purchasers.
- 3.2 The objectives of the Proposed Scheme of Arrangement are therefore 2 fold:-

- (a) to complete the Project so that the Participating Purchasers can obtain possession of their respective factory units for which they have each made partial payments;
- (b) to achieve a more advantageous distribution for the general body of creditors and to eventually wind-up the affairs of the Company.

4.0 COMPROMISE WITH ABMB

- 4.1 The Company has achieved a compromise with ABMB whereby it is proposed that the value of ABMB's Claims be crystallised at the Cut-Off Date and settled by way of transfer of the Settlement Units plus a cash payment of RM 184,790.00 to be taken from the Fund as full and final settlement of all its claims. All amounts accruing after the Cut-Off Date shall be waived.
- 4.2 Subject to the fulfillment of all the Scheme Conditions Precedent, and the final completion of the Project and thereafter upon transfer to ABMB of the Settlement Units, ABMB has agreed to the redemption of the Lands by the Company.

5.0 PROPOSED SCHEME OF ARRANGEMENT-SALIENT FEATURES

- 5.1 Under the Proposed Scheme of Arrangement, it is proposed that the Participating Purchasers in addition to, if necessary, regularising their respective Progress Payments obligations shall make the following payments towards the Fund:-
 - (a) the Top-up Payment;
 - (b) the Outstanding Progress Billings.
- 5.2 The Fund shall be maintained by the Liquidators in the Escrow Account to be utilised towards settlement of the total Scheme Costs.
- 5.3 Upon the successful completion of the Project and the handing over to the Participating Purchasers of their respective units any amount, if any, remaining in the Escrow Account representing the Top-up Payment will be repaid to the Purchasers on a pro-rata basis in proportion to their respective Top-Up Payment to the Fund. In addition, as and when the Undisposed Units shall be disposed of by the Liquidators, the portion of such proceeds representing the Completion Costs attributable to such Undisposed Units will also be distributed pro-rated amongst the Participating Purchasers, subject to the maximum amount of Top-Up Payment made by such Participating Purchasers. Save as provided, the Participating Purchasers shall have no further or other claims whatsoever against the Company or the Liquidators.

5.4 Subject always to the achievement of the Scheme Conditions Precedent, the claims of Non-Participating Purchasers shall fall to be treated as Unsecured Creditors Claims under the liquidation process of the Company in the manner described in paragraph 10 below.

6.0 IMPLEMENTATION OF PROPOSED SCHEME OF ARRANGEMENT

6.1 Upon the achievement of the Scheme Conditions Precedent, the rights and obligations of the Participating Purchasers shall be governed exclusively by the terms of their respective Sale and Purchase Agreements read with and subject to the Conditions of Completion.

6.2 As for the Non-Participating Purchasers the Company shall treat their respective Sale and Purchasers Agreements to be of no effect whatsoever. For the avoidance of doubt, any claims by the Non-Participating Purchasers whether in connection with or relating to their respective Sale and Purchase Agreements would be limited solely to proving their Progress Payments in the liquidation of the Company described in paragraph 10 below.

6.3 Works on the Project are expected to commence within sixty (60) days of the achievement of the Scheme Conditions Precedent and with the completion period of twenty four (24) months from the commencement thereof.

7.0 SCHEME CONDITIONS PRECEDENT

7.1 The Scheme Conditions Precedent shall be met upon the achievements of the following:-

- (a) the Statutory Approval for the Proposed Scheme of Arrangement;
- (b) the Contribution Threshold;
- (c) the Court Sanction under Section 176 of the Act.

7.2 Should either one of the Scheme Conditions Precedent not be met, the Proposed Scheme of Arrangement shall be aborted.

7.3 In addition and notwithstanding the meeting of the Scheme Conditions Precedent, the Liquidators reserve the right as they shall absolutely deem fit to not proceed with the Proposed Scheme of Arrangement subject however that before making such a decision, the Liquidators shall first consult the Participating Purchasers and ABMB.

8.0 DISPUTED PURCHASERS

8.1 The challenge to the Disputed Purchasers arise by virtue of Section 293 of the Act which essentially renders void or voidable, as the case may be, any transaction which would under the laws of bankruptcy be similarly void or voidable. In this regard, the Disputed Purchasers are essentially parties who have purportedly entered into purported sale and purchase agreements with the Company but in the Liquidators' views without having given any valuable consideration pursuant to such purported sale and purchase agreements.

8.2 The Liquidators propose that, unless determined otherwise before the holding of the Scheme Creditors' Meeting, the Disputed Purchasers shall be given the entitlement to vote at the Scheme Creditors' Meeting subject to the *express proviso that the conferment of such entitlement shall not in any way prevent the Company, at its absolute discretion from subsequently making a decision as to their status, having regard to the general rules of liquidation or otherwise through negotiations between the Company and such Disputed Purchasers. In the event that the Company maintains their status as Disputed Purchasers, any votes cast by them at the Scheme Creditors' Meeting will be disregarded.*

9.0 RATIONALE FOR THE PROPOSED SCHEME OF ARRANGEMENT

9.1 The successful completion of the Proposed Scheme of Arrangement would, in the Liquidators' view, be the most efficient and fair way of addressing the position of the creditors of the Company, in particular the position of the Purchasers. The Liquidators are also proceeding on the basis of meeting the wider social objective in reviving such abandoned projects.

9.2 In the absence of the Proposed Scheme of Arrangement, the Liquidators foresee a protracted process to the winding-up of the affairs of the Company. On the one hand, whilst ABMB may be in the position to claim security rights over the Lands, the exercise of such rights is expected to be complicated by, inter alia, issues of redemption which would, inter alia, prevent an *en bloc* sale of the Lands, whereas, on the other hand, the Purchasers who are otherwise unsecured creditors would, be limited to a negligible or nil return in the liquidation of the Company.

10.0 POST SCHEME OF ARRANGEMENT – TREATMENT OF UNSECURED CREDITORS CLAIMS

10.1 Although the Unsecured Creditors Claims will only be addressed upon completion of the Proposed Scheme of Arrangement and therefore do not form part of the Proposed Scheme of Arrangement, details of the treatment of Unsecured Creditors Claims have been included in this Explanatory Statement given its nexus with the Proposed Scheme of Arrangement shown as follows:-

- (a) the Unsecured Creditors Claims would be essentially addressed from and be dependent on the proceeds of sale of the Undisposed Units; and
- (b) the claims of the Non-Participating Purchasers would fall to be determined as Unsecured Creditors Claims.

10.2 For the purpose of settlement, the Unsecured Creditors Claims will be crystallised at the Cut-Off Date which date under the normal rules of liquidation would have been the last date to which a claim would have been computed for the purposes of the Proof of Debt.

10.3 As indicated above, the crystallised Unsecured Creditors Claims will be settled from the proceeds to be derived from the disposal of the Undisposed Units less the Completion Costs. It is presently not possible to provide an exact figure to what is expected to be realised in terms of such proceeds, since this will in turn depend on the number of Undisposed Units eventually available and the market conditions at the date of disposal. Schedule C of this Explanatory Statement provides a comparative assessment of the estimated return depending on the number of units of the Undisposed Units and the level of expected profit on each unit.

11.0 LIQUIDATORS' RECOMMENDATION

11.1 The Liquidators are of the view that the successful implementation of the Proposed Scheme of Arrangement would allow the Project to be completed and thereby result in the most favourable result for the Purchasers. For this reason the Liquidators on behalf of the Company recommend all Purchasers to support the Proposed Scheme of Arrangement.

12.0 EXCLUSION OF LIABILITY

12.1 In formulating and proposing the Proposed Scheme of Arrangement, the Liquidators act strictly as agents for and on behalf of the Company and the Liquidators disclaim any personal liability for any acts or omission howsoever arising from or in connection with the Proposed Scheme of Arrangement.

12.2 In particular, the Purchasers may wish to obtain independent advice on the contents of the Proposed Scheme of Arrangement and should not rely solely on the contents of this Explanatory Statement in deciding how to vote at the Scheme Creditors' Meeting.

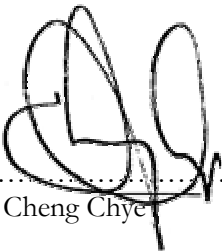
13.0 SCHEME CREDITORS' MEETING AND PROXIES FOR SCHEME CREDITORS

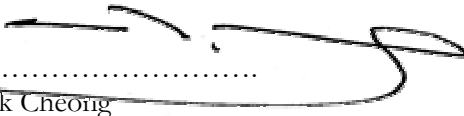
13.1 A notice summoning the Scheme Creditors' Meeting, pursuant to the Orders of the Court on 29.10.2002 and which is enclosed with this Explanatory

Statement, will be held at Dewan SS15, Jalan SS15/4 Subang Jaya Selangor Darul Ehsan on 20.12.2002 at the times specified therein to seek your approval for the Proposed Scheme of Arrangement.

- 13.2 You will find enclosed with this Explanatory Statement, a Notice and the accompanying Form of Proxy for the Purchasers. You are requested to complete, sign and return the appropriate Form of Proxy in accordance with the instructions contained therein to the Liquidators' office at B-3-11, Megan Phileo Avenue No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur no later than 5.00 p.m. on 10.12.2002. The completion and return of the Form of Proxy will not preclude you from attending in person and voting at the Scheme Creditors' Meeting should you subsequently wish to do so.
- 13.3 There is also included with this Explanatory Statement an annexed Form of Proof of Debt to be completed by the Purchasers and to be lodged at the Liquidators' office at B-3-11, Megan Phileo Avenue No.12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur no later than 5.00 p.m. on 22.11.2002 to allow for determination of the respective entitlements of the Purchasers for the purposes of treatment pursuant to the Proposed Scheme of Arrangement. ***Only Purchasers who have previously not lodged their Proof of Debt with the Company will be required to complete such an exercise.***

Yours faithfully,
Liquidators
Korakyat Plantations Sdn Bhd (In Liquidation)


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Ler Cheng Chye


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Lum Tuck Cheong