

THIS CIRCULAR TO THE SHAREHOLDERS OF LION POSIM BERHAD ("LPB" OR THE "COMPANY") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the next course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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LION POSIM BERHAD

Registration No: 198201002310 (82056-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

- (I) **PROPOSED UNINCORPORATED JOINT VENTURE BETWEEN LION WATERFRONT SDN BHD (FORMERLY KNOWN AS SINGA LOGISTICS SDN BHD), A WHOLLY-OWNED SUBSIDIARY OF LION POSIM BERHAD ("LPB" OR THE "COMPANY"), AND LANDASAN LUMAYAN SDN BHD ("LANDASAN LUMAYAN"), A WHOLLY-OWNED SUBSIDIARY OF MENTERI BESAR SELANGOR (PEMERBADANAN), TO UNDERTAKE A MIXED RESIDENTIAL AND COMMERCIAL DEVELOPMENT ON A PARCEL OF LAND TO BE ALIENATED BY THE SELANGOR STATE GOVERNMENT TO LANDASAN LUMAYAN MEASURING APPROXIMATELY 26.29 ACRES IN SECTION 24, SHAH ALAM, SELANGOR ("PROPOSED UNINCORPORATED JOINT VENTURE"); AND**
- (II) **PROPOSED DIVERSIFICATION OF EXISTING BUSINESSES OF LPB AND ITS SUBSIDIARIES TO INCLUDE PROPERTY DEVELOPMENT ("PROPOSED DIVERSIFICATION")**

(COLLECTIVELY, THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for the Proposals

Independent Adviser for the Proposals



MERCURY SECURITIES SDN BHD

Registration No: 198401000672 (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



KENANGA INVESTMENT BANK BERHAD

Registration No: 197301002193 (15678-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("EGM") of Lion Posim Berhad ("LPB" or the "Company") to be convened at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Friday, 2 December 2022 at 3.00 p.m., together with the Form of Proxy are enclosed in this Circular and available on the website of the Company at www.lion.com.my/posim-egm.

You are requested to complete the enclosed Form of Proxy and deposit it at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on or before the date and time indicated below if you are unable to attend the EGM. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Wednesday, 30 November 2022 at 3.00 p.m.
Date and time of the EGM : Friday, 2 December 2022 at 3.00 p.m.

This Circular is dated 17 November 2022

DEFINITIONS

Except where the context otherwise requires or defined herein, the following definitions shall apply throughout this Circular:-

| | |
|------------------------------------|---|
| Act | : Companies Act, 2016, as amended from time to time including any re-enactment thereof |
| Agreed Value | : A sum representing 20% of the Project's profit before tax, payable by Lion Waterfront to Landasan Lumayan in respect of the Landowner's Entitlement |
| Approval Period | : 6 months from the date of the Development Agreement with an automatic extension of 3 months thereafter or such later date as mutually agreed in writing by the Parties |
| Board | : Board of Directors of LPB |
| Bursa Securities | : Bursa Malaysia Securities Berhad |
| Business Day | : A day (excluding Saturdays, Sundays and public holidays) on which government departments and banks are open for business in Kuala Lumpur and Selangor |
| CG | : Corporate guarantee |
| Circular | : This circular dated 17 November 2022 in relation to the Proposals |
| Completion Date | : The date when the Project is completed and the final payment of the Landowner's Entitlement is made by Lion Waterfront and received by Landasan Lumayan |
| Conditions Precedent | : Conditions precedent of the Development Agreement as set out in Section 2.3(ix), Part A of this Circular |
| COVID-19 | : Coronavirus disease 2019 |
| Development Agreement | : Conditional development agreement dated 18 May 2022 between Lion Waterfront (as the Developer) and Landasan Lumayan (as the Landowner) to form an unincorporated joint venture to develop the Land into the Project |
| Development Period | : A period of not more than 10 years commencing on and from the date on which Landasan Lumayan shall deliver vacant possession of the Land to Lion Waterfront within 5 Business Days from the Unconditional Date, on an "as is where is" basis |
| Director(s) | : Has the meaning given in section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of LPB, its subsidiary or holding company or a chief executive of LPB, its subsidiary or holding company |
| EGM | : Extraordinary general meeting |
| EPS | : Earnings per share |
| Extended Development Period | : Such period after the expiry of the Development Period which is mutually agreed in writing between the Parties and subject to Lion Waterfront making full payment of the Minimum Value to Landasan Lumayan within 2 months from the end of the financial year of Lion Waterfront following the expiry of the Development Period |

DEFINITIONS (CONT'D)

| | |
|--|--|
| First Payment | : The sum of RM3.0 million which has been paid by Lion Waterfront to Landasan Lumayan upon signing of the Development Agreement, which forms part of the Agreed Value |
| First Right of Refusal | : An option granted by Landasan Lumayan to TSWC to nominate an entity to take over the Project from Tanahmas Impian in the event of:- (a) termination of the Previous Development Agreement due to the non-fulfilment of the conditions precedent; or (b) default or breach by Tanahmas Impian which Tanahmas Impian fails to remedy in accordance with the terms of the Previous Development Agreement, within a period of 3 months from the occurrence of any of the aforesaid events |
| FPE | : Financial period ended |
| FYE | : Financial year ended / ending |
| GDC | : Gross development cost |
| GDV | : Gross development value |
| Henry Butcher (Property Consultant) | : Henry Butcher Malaysia Solutions Sdn Bhd, an independent property consultant who has been appointed by the Company to conduct a market study on the Land and to assess the Project based on the Company's preliminary conceptual plan |
| Henry Butcher (Valuer) | : Henry Butcher Malaysia (Sel) Sdn Bhd, an independent property valuer who has been appointed by Lion Waterfront to conduct a valuation to ascertain the market value of the Land as a parcel of vacant potential development land |
| IAL | : Independent advice letter from Kenanga IB to the non-interested Shareholders in relation to the Proposals as set out in Part B of this Circular |
| Interested Directors | : TSWC and Serena Cheng |
| Kenanga IB or the Independent Adviser | : Kenanga Investment Bank Berhad, the Independent Adviser for the Proposals |
| Land | : A parcel of land to be alienated by the Selangor State Government to Landasan Lumayan measuring approximately 26.29 acres in Section 24, Shah Alam, Selangor |
| Landasan Lumayan or the Landowner | : Landasan Lumayan Sdn Bhd, a wholly-owned subsidiary of Menteri Besar Selangor (Pemerbadanan) |
| Landowner's Entitlement | : A sum equivalent to the Agreed Value payable by Lion Waterfront to Landasan Lumayan, subject to the Minimum Value, whichever is the higher |
| LCB | : Lion Corporation Berhad |
| LICB | : Lion Industries Corporation Berhad, the ultimate holding company of LPB |

DEFINITIONS (CONT'D)

| | | |
|--|---|--|
| Lion Waterfront or the Developer | : | Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd), a wholly-owned subsidiary of LPB |
| Listing Requirements | : | Main Market Listing Requirements of Bursa Securities, including any amendment thereto that may be made from time to time |
| LPB or the Company | : | Lion Posim Berhad |
| LPB Group or the Group | : | Collectively, LPB and its subsidiaries |
| LPD | : | 31 October 2022, being the latest practicable date prior to printing of this Circular |
| Market Study Report | : | Independent market study report prepared by Henry Butcher (Property Consultant) in February 2022 based on the Company's preliminary conceptual plan on the Land |
| Master DO | : | Master development order or planning permission based on the master layout plan for the Project and shall include any subsequent variations or amendments as may be mutually agreed between the Parties and approved by the relevant authorities |
| Menteri Besar Selangor (Pemerbadanan) | : | A statutory body of the State of Selangor Darul Ehsan and established under the Menteri Besar Selangor (Incorporation) Enactment 1994 |
| Mercury Securities or Principal Adviser | : | Mercury Securities Sdn Bhd, the Principal Adviser for the Proposals |
| Minimum Value | : | RM42.60 million, being a minimum amount payable by Lion Waterfront to Landasan Lumayan in respect of the Landowner's Entitlement |
| NA | : | Net assets |
| PA | : | Power of attorney dated 18 May 2022 granted by Landasan Lumayan in favour of Lion Waterfront in relation to the Land |
| Pancar Tulin | : | Pancar Tulin Sdn Bhd, a wholly-owned subsidiary of LCB |
| Parties | : | Collectively, Lion Waterfront and Landasan Lumayan, being the parties to the Development Agreement |
| Previous Development Agreement | : | Development agreement dated 17 September 2020 between Tanahmas Impian and Landasan Lumayan to form an unincorporated joint venture to develop the Land into the Project, which had lapsed on 16 December 2021 |
| Project | : | A mixed residential and commercial development on the Land, details of which are set out in Section 2.2, Part A of this Circular |
| Proposals | : | Collectively, the Proposed Unincorporated Joint Venture and the Proposed Diversification |
| Proposed Diversification | : | Proposed diversification of the existing businesses of the LPB Group to include property development |

DEFINITIONS (CONT'D)

| | |
|--|---|
| Proposed Unincorporated Joint Venture | : Proposed joint venture between Lion Waterfront and Landasan Lumayan to form an unincorporated joint venture to undertake the Project on the Land in accordance with the terms of the Development Agreement, including the provisions of the CG as set out in Section 2.3(viii), Part A of this Circular |
| Put Option | : An option granted by TSWC to LPB, which is exercisable from the date the Development Agreement becomes unconditional until the expiry of the Development Period or the Extended Development Period, which allows LPB to require TSWC or his nominee to acquire all the shares in Lion Waterfront |
| Put Option Agreement | : Put option agreement dated 18 May 2022 between LPB and TSWC in relation to the Put Option |
| Serena Cheng | : Cheng Hui Ya, Serena |
| Shareholders | : Shareholders of the Company |
| sq ft | : square feet |
| Tanahmas Impian | : Tanahmas Impian Sdn Bhd, a wholly-owned subsidiary of Pancar Tulin |
| TSWC | : Tan Sri Cheng Heng Jem |
| Unconditional Date | : The date on which the last of the Conditions Precedent shall have been fulfilled |
| Valuation Report | : Independent valuation report dated 25 August 2022 in relation to the Land as prepared by Henry Butcher (Valuer) |

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated. Any discrepancies in the tables between amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding. “RM” and “sen” refer to Ringgit Malaysia and sen respectively.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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| NOTICE OF EGM | ENCLOSED |
|----------------------|-----------------|

| | |
|---|-----------------|
| ADMINISTRATIVE GUIDE FOR THE EGM | ENCLOSED |
|---|-----------------|

| | |
|-------------------------------|-----------------|
| PROXY FORM FOR THE EGM | ENCLOSED |
|-------------------------------|-----------------|

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. Shareholders are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the forthcoming EGM.

| Key information | Description | Reference to Circular |
|--|--|-----------------------|
| Summary of the Proposals | <p>The Proposed Unincorporated Joint Venture entails the joint venture between Lion Waterfront and Landasan Lumayan to undertake a mixed residential and commercial development on a parcel of land located in Section 24, Shah Alam.</p> <p>In conjunction with the Proposed Unincorporated Joint Venture, the Company proposes to diversify the business of the Group to include property development.</p> | Sections 2 and 3 |
| Rationale for the Proposals | <p>The Proposed Unincorporated Joint Venture allows the Group to undertake the development of the Project. In turn, the Project is expected to contribute positively to the earnings of the Group premised on the strategic location of the Project with river frontage of Sungai Klang and easy accessibility via major roads and highways.</p> <p>In conjunction with the Proposed Unincorporated Joint Venture, the approval of the Shareholders is sought for the Proposed Diversification as the Group is currently not involved in the property development business.</p> | Section 4 |
| Risk factors in relation to the Proposals | <p>The Shareholders should consider the following risk factors before approving the Proposals:-</p> <ul style="list-style-type: none"> (a) the Project is subject to the risk of cost overruns, which may affect the expected profit that can be derived from the Project; (b) the Project is subject to demand risks in relation to the property market which may result in lower take-up rates; and (c) the Group has no prior experience in the property development business. <p>Notwithstanding the above, LPB is cautiously optimistic on the long-term prospects of the property market premised on the pick-up in economic growth as the COVID-19 pandemic is gradually contained and the Group's target market segment of affordable housing comprising the Bottom 40% of the Malaysian household income ("B40 Group") and the Middle 40% of the Malaysian household income ("M40 Group"). In addition, the Group will set up an experienced management team by recruiting the relevant personnel with requisite experience in the property development business to spearhead the Group's new property development division.</p> | Section 5 |
| Effects of the Proposals | <p>The Proposals will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as the Proposals do not involve any issuance of new ordinary shares in the Company.</p> <p>The Proposals are not expected to have a material effect on the NA, NA per Share, gearing, earnings and EPS of the Group for the FYE 31 December 2022. Nevertheless, barring any unforeseen circumstances, the Proposals are expected to contribute positively to the future earnings and EPS of the Group as and when the Project progresses and the launched units are sold. Any profit attributable would be realised in stages over the expected 10-year development period of the Project based on its progress.</p> | Section 7 |
| Approvals required | <p>The Proposals are subject to approvals being obtained from the following:-</p> <ul style="list-style-type: none"> (i) the Shareholders at an EGM to be convened for the Proposals; and (ii) any other relevant authorities and/or parties, if required. | Section 8.1 |

EXECUTIVE SUMMARY (CONT'D)

| Key information | Description | Reference to Circular |
|-------------------------------|---|------------------------------|
| Inter-conditional | The Proposed Unincorporated Joint Venture and the Proposed Diversification are inter-conditional. | Section 8.2 |
| Board's recommendation | <p><u>Proposed Unincorporated Joint Venture</u></p> <p>The Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Unincorporated Joint Venture to be tabled at the forthcoming EGM.</p> <p><u>Proposed Diversification</u></p> <p>The Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM.</p> | Section 13 |

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PART A

**LETTER FROM THE BOARD TO THE SHAREHOLDERS
IN RELATION TO THE PROPOSALS**



LION POSIM BERHAD
Registration No: 198201002310 (82056-X)
(Incorporated in Malaysia)

Registered Office:

Level 14, Lion Office Tower
No. 1 Jalan Nagasari
50200 Kuala Lumpur
Wilayah Persekutuan

17 November 2022

Board of Directors

Tan Sri Cheng Heng Jem (*Non-Independent Non-Executive Chairman*)
Cheng Hui Ya, Serena (*Executive Director*)
Dato' Eow Kwan Hoong (*Independent Non-Executive Director*)
Tan Sri Abd Karim bin Shaikh Munisar (*Independent Non-Executive Director*)
Dr. Folk Jee Yoong (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir / Madam,

- (I) **PROPOSED UNINCORPORATED JOINT VENTURE; AND**
- (II) **PROPOSED DIVERSIFICATION**

(COLLECTIVELY, THE “PROPOSALS”)

1. INTRODUCTION

On 18 May 2022, Mercury Securities had, on behalf of the Board, announced the following:-

- (i) Lion Waterfront had on 18 May 2022 entered into the Development Agreement with Landasan Lumayan for the Proposed Unincorporated Joint Venture; and
- (ii) in conjunction with the Proposed Unincorporated Joint Venture, the Company proposes to undertake the Proposed Diversification.

For information purposes, LPB had on 18 May 2022 entered into the Put Option Agreement with TSWC, whereby TSWC has granted LPB the Put Option. The salient terms of the Put Option Agreement are set out in Appendix I of this Circular. For the avoidance of doubt, the salient terms set out therein are strictly for information purposes only. LPB will make any applicable announcement(s) on the details of the Put Option and seek its shareholders' approval (if required) under the Listing Requirements as and when LPB decides to exercise the Put Option at the Option Price to be calculated in accordance to the Put Option Agreement as set out in Appendix I of this Circular.

The Proposed Unincorporated Joint Venture is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the exercise of the First Right of Refusal by TSWC as set out in Section 9, Part A of this Circular as well as the interests of TSWC as set out in Section 10, Part A of this Circular. Accordingly, Kenanga IB has been appointed as the Independent Adviser for the Proposals.

The IAL from Kenanga IB to the non-interested Shareholders is set out in Part B of this Circular.

The purpose of Part A of this Circular is to provide the Shareholders with the relevant details of the Proposals and to set out the views and recommendations of the Board as well as to seek the approval of the Shareholders for the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM. The notice of EGM together with the form of proxy are enclosed in this Circular.

The information contained in the Appendices forms part of this Circular.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR (INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE COMPANY'S FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED UNINCORPORATED JOINT VENTURE

2.1 Information on the Parties

2.1.1 Lion Waterfront

Lion Waterfront was incorporated in Malaysia on 10 December 1987 as a private limited company. As at the LPD, the issued share capital of Lion Waterfront is RM62,752,545 comprising 62,752,545 ordinary shares. Lion Waterfront is currently dormant and its intended principal activities are property investment and property development.

2.1.2 Landasan Lumayan

Landasan Lumayan was incorporated in Malaysia on 3 May 2012 as a private limited company. As at the LPD, the issued share capital of Landasan Lumayan is RM1,000,000 comprising 1,000,000 ordinary shares. The principal activities of Landasan Lumayan are construction of other engineering projects.

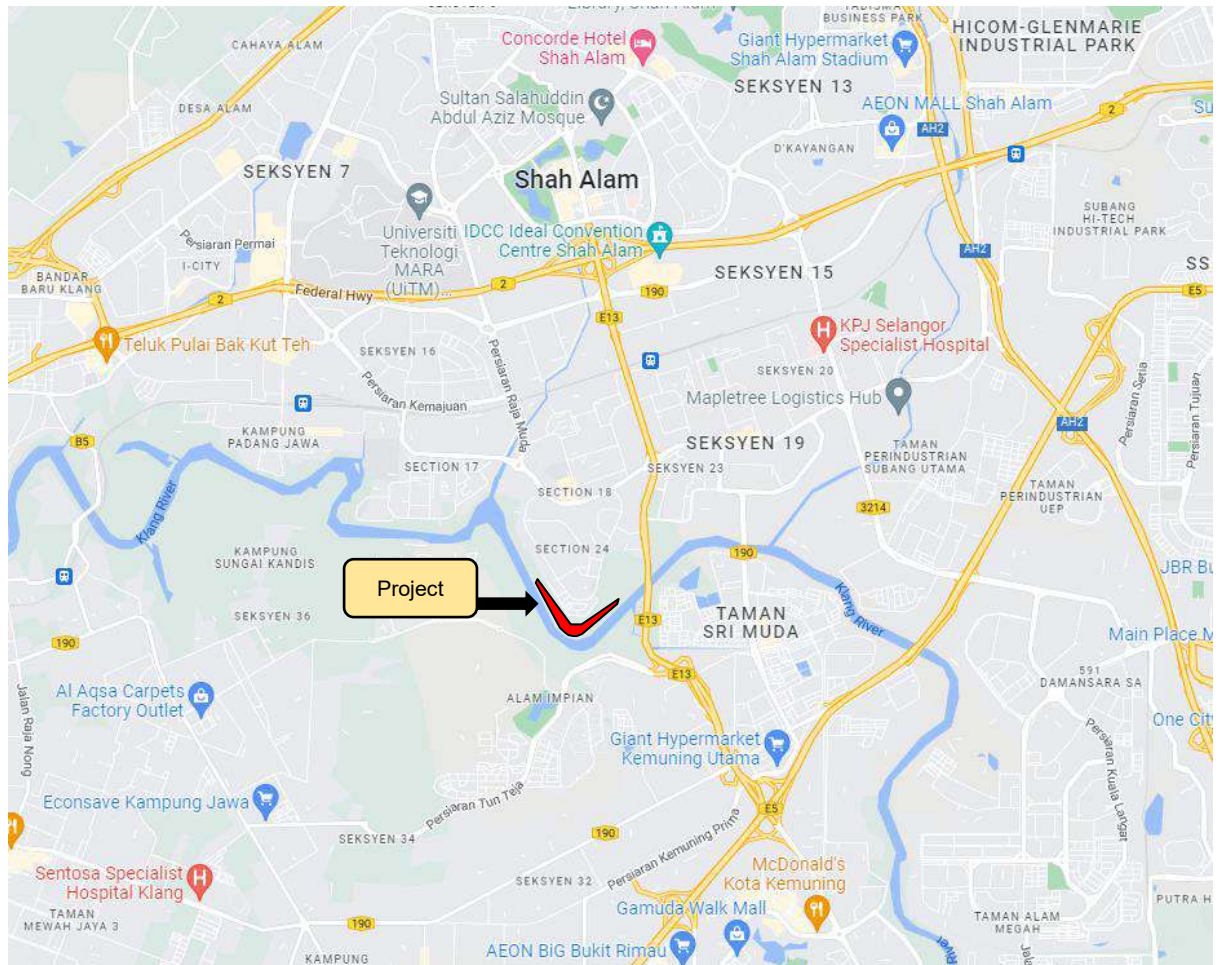
Landasan Lumayan is a wholly-owned subsidiary of Menteri Besar Selangor (Pemerbadanan) which in turn is a statutory body of the State of Selangor Darul Ehsan and established under the Menteri Besar Selangor (Incorporation) Enactment 1994. Landasan Lumayan was incorporated in 2012 for the purpose of implementing the "Selangor Maritime Gateway" project under the Klang River rehabilitation master plan.

The directors of Landasan Lumayan are YB Ir. Izham bin Hashim, YM Raja Shahreen bin Raja Othman, Encik Syaiful Azmen bin Nordin, Dr. Nor Fuad bin Abdul Hamid, Puan Hajah Norita binti Mohd Sidek and Puan Norliza binti Yusoff (as the alternate director for Dr. Nor Fuad bin Abdul Hamid).

2.2 Information on the Project

The Project is a mixed residential and commercial development located along the embankment of Sungai Klang and within an established residential area of Section 24, Shah Alam, Klang Valley. The Land is accessible via Federal Highway, Lebuhraya Kemuning Shah Alam (LKSA) and Konsortium Expressway Shah Alam Selangor (KESAS) with a long river frontage of Sungai Klang and is mostly surrounded by low and medium-end housing. This area is a mature and well-developed neighbourhood with a variety of amenities within the vicinity such as banks, medical centres, shopping centres, offices, schools, petrol stations, police station and other public amenities. Currently, there are no new developments of residential and commercial properties in Section 24, Shah Alam.

The location of the Project is illustrated in the map below:-



(Source: Google Maps)

Based on the Company's preliminary conceptual plan, the Project comprises 200 units of townhouses, 1,106 apartment units, 648 units of affordable housing, 16 commercial shoplots and a clubhouse, to be developed in stages over the expected 10-year development period.

The Company has appointed Henry Butcher (Property Consultant) to conduct a market study on the Land and to assess the Project based on the Company's preliminary conceptual plan as mentioned above. The summary of key findings of the Market Study Report is set out in Appendix II of this Circular.

After having considered the market study prepared by Henry Butcher (Property Consultant), the GDV and the GDC (including Landowner's Entitlement) of the Project are estimated at RM867 million and RM651 million respectively. The source of funding for the Project is set out in Section 2.5, Part A of this Circular.

2.3 Salient terms of the Development Agreement

The salient terms of the Development Agreement in relation to the Proposed Unincorporated Joint Venture are set out below:-

Agreement for joint venture

- (i) Landasan Lumayan is to procure the alienation of the Land for the Project free from any encumbrances and the costs and expenses for the alienation and the land premium shall be payable by Lion Waterfront.
- (ii) Landasan Lumayan is responsible for causing the Land to be surrendered and re-alienated in its name with the relevant category of land use and express conditions suitable for the Project.
- (iii) Lion Waterfront shall manage and carry out the entire development process at its own costs and expenses.

Development Period / Extended Development Period

- (iv) The Project shall be completed within 10 years from the possession date (“**Development Period**”) or such later date which is mutually agreed in writing (“**Extended Development Period**”) and provided that Lion Waterfront makes full payment of the Minimum Value to Landasan Lumayan within 2 months from the end of the financial year of Lion Waterfront following the expiry of the Development Period.

Landowner’s Entitlement

- (v) Landasan Lumayan shall grant Lion Waterfront the right to carry out the Project on the Land. In return, Lion Waterfront shall pay Landasan Lumayan a sum representing 20% of the profit before tax of the Project (“**Agreed Value**”), subject to a minimum payment of RM42.60 million (“**Minimum Value**”), whichever is the higher (“**Landowner’s Entitlement**”). Please refer to Section 2.4 for further details of the Landowner’s Entitlement.

Payment of Landowner’s Entitlement

- (vi) The Landowner’s Entitlement shall be payable in the following manner:
 - (a) Lion Waterfront shall pay RM3.0 million (“**First Payment**”) to Landasan Lumayan upon signing of the Development Agreement;
 - (b) Lion Waterfront shall pay to Landasan Lumayan the Agreed Value in excess of the First Payment annually within 2 months from the end of the financial year of Lion Waterfront; and
 - (c) in the event the Agreed Value paid at the expiry of the Development Period is lower than the Minimum Value, Lion Waterfront shall pay the difference to Landasan Lumayan no later than 2 months from the end of its financial year following the expiry of the Development Period.

Power of attorney

- (vii) In exchange for the First Payment by Lion Waterfront upon execution of the Development Agreement, Landasan Lumayan shall, in turn, deliver to Lion Waterfront a power of attorney (“**PA**”) to facilitate the timely submission of the applications required for the Master DO. The PA was received by Lion Waterfront on 18 May 2022. Subsequently, the PA was registered with the High Court and the land office on 8 June 2022 and 26 July 2022 respectively.

The limited PA is granted to Lion Waterfront to enable it to apply for and submit applications for the necessary approvals, permits and licenses from the relevant authorities in relation to the Project and for the construction thereof.

Corporate guarantee

- (viii) LPB shall provide a corporate guarantee (“CG”) for the performance by Lion Waterfront in accordance with the Development Agreement. A conditional CG was executed on 18 May 2022.

Pursuant to the CG, the Company unconditionally and irrevocably guarantees the due and punctual payment of the Landowner’s Entitlement and the due and punctual performance and observance by Lion Waterfront of all other obligations of Lion Waterfront contained in the Development Agreement to which it is a party, notwithstanding any dispute between Landasan Lumayan and Lion Waterfront, and:-

- (a) if Lion Waterfront fails to pay any amount of the Landowner’s Entitlement when due, LPB shall pay such amount to Landasan Lumayan in the required currency upon receiving Landasan Lumayan’s first written demand; and/or
- (b) if Lion Waterfront fails to perform its obligations under the Development Agreement, LPB shall procure Lion Waterfront to fulfill its obligations under the Development Agreement; and/or
- (c) if Lion Waterfront fails to complete the Project, LPB shall complete the Project in accordance with the terms of the Development Agreement pursuant to Clause 15.2(a)(i) and 15.2(b)(i) of the Development Agreement.

The CG becomes effective only on the date when the last of the Conditions Precedent has been fulfilled.

If at any time the Landowner’s Entitlement has been paid or discharged in full and all the obligations of Lion Waterfront have been performed in full and pursuant thereto Lion Waterfront has no actual or contingent obligations under or in connection with the CG and/or the Development Agreement, then all rights of Landasan Lumayan thereunder shall be terminated and LPB shall be released from its obligations under the CG and Landasan Lumayan shall, upon the written request of LPB and at the cost of LPB, duly do or permit to be done all such acts and execute and deliver or permit the execution and delivery of any and all such further instruments and documents for the purpose of effecting such release.

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Conditions Precedent

(ix) The Development Agreement in relation to the Proposed Unincorporated Joint Venture is conditional upon the following Conditions Precedent being fulfilled within the Approval Period:-

- (a) subject always to (i) the condition precedent as stipulated in Section 2.3(ix)(d) below having been fulfilled; and (ii) a pre-computation plan having been furnished by Lion Waterfront to Landasan Lumayan, the approval of the relevant authorities for the surrender and re-alienation of the Land, consistent with the approved Master DO, being obtained by Landasan Lumayan for purposes of complying with the restrictions contained in the title of the Land and fulfilling the category of land use and express condition of the Land based on the layout plan as may be approved by the relevant authorities in respect of the Project ("**Alienation Approval**");
- (b) (i) the approval of the board of LPB and Lion Waterfront (if required) for the execution, delivery and performance of the Development Agreement, of which the approval of the board of LPB was obtained on 17 May 2022 and the approval of the board of Lion Waterfront was obtained on 18 May 2022; and (ii) the approval of the board of LPB for the execution, delivery and performance of the CG, which was obtained on 17 May 2022;
- (c) (i) the approval of the Shareholders and the shareholders of Lion Waterfront for the execution, delivery and performance of the Development Agreement; and (ii) the approval of the Shareholders for the execution, delivery and performance of the CG;
- (d) the approval for the Master DO from the relevant authorities in favour of Lion Waterfront* to carry out the Project, in line with the master layout plan of the Project, being obtained by Lion Waterfront; and

** Following receipt of the PA on 18 May 2022, Lion Waterfront had, between 18 July 2022 to 16 August 2022, submitted various applications to the relevant authorities in order to obtain approvals for the Master DO. As at the LPD, the application for the Master DO is still pending approvals from the relevant authorities.*

- (e) the approvals of any other relevant authorities as may be required for the matters contemplated in the Development Agreement being obtained by Lion Waterfront.

Non-fulfilment of Conditions Precedent

(x) In the event the Development Agreement is terminated due to non-fulfilment of the Conditions Precedent as stated in Section 2.3(ix) above, Landasan Lumayan shall, within 10 Business Days from the date of termination of the Development Agreement:-

- (a) return the First Payment to Lion Waterfront; and
- (b) return the CG for cancellation in exchange for the return of the PA for revocation.

2.4 Basis and justification of the Landowner's Entitlement

The Landowner's Entitlement was negotiated on arm's length basis and shall be calculated in the manner as follow:

| Item | Variable | Description |
|--|--|---|
| GDV | V | |
| GDC : 1. Construction cost 2. Professional consultancy fees 3. Statutory fees 4. Sales and marketing expenses 5. Project management fees 6. Project finance cost 7. Land cost (including land premium) 8. Other cost | C ₁ C ₂ C ₃ C ₄ C ₅ C ₆ C ₇ C _n | |
| 9. Landowner's Entitlement | C₈ | C₈ = Minimum Value, RM42.6 million <u>OR;</u> C₈ = [V – (C₁...C_n)] x 20% (whichever is higher) |
| GDC | C | C = C ₁ + C ₂ + C ₃ + C ₄ + C ₅ + C ₆ + C ₇ + C _n + C ₈ |
| Developer's Profit before tax | K | K = V - C |

The Landowner's Entitlement appears reasonable after taking into consideration the following:-

- (i) the Market Study Report prepared by Henry Butcher (Property Consultant);
- (ii) the estimated profit before tax of RM216 million attributable to the Group based on the estimated GDV and estimated GDC (including Landowner's Entitlement) of the Project of RM867 million and RM651 million respectively;
- (iii) save for the costs and expenses for the alienation and the land premium, there are no significant immediate upfront costs that will be incurred in respect of the Land; and
- (iv) the rationale for the Proposed Unincorporated Joint Venture and prospects of the Project as stated in Sections 4 and 6, Part A of this Circular.

In addition to the above, Lion Waterfront has also appointed Henry Butcher (Valuer), to conduct a valuation to ascertain the market value of the Land as a parcel of vacant potential development land.

In respect thereto, Henry Butcher (Valuer) has ascertained the market value of the Land as at 16 August 2022 to be RM30.90 million, based on the comparison method of valuation where reference is made to similar properties that were either transacted recently or listed for sale within the same location or other comparable localities.

The following basis and assumptions have been adopted by Henry Butcher (Valuer) to ascertain the present value of the Landowner's Entitlement of approximately RM29.996 million:-

- (i) the date of valuation is 16 August 2022;
- (ii) the discount rate is adopted at 7% per annum, which is in tandem with the financing cost based on the Valuer's enquiries with financial institutions;
- (iii) save for the First Payment that was paid on 18 May 2022, the subsequent payments for the Landowner's Entitlement will be paid on the last day of February every year (for annual payments in respect of the Landowner's Entitlement for each immediate preceding financial year);
- (iv) the minimum Landowner's Entitlement (being the Minimum Value of RM42.60 million) will be paid progressively over a period of 10 years in tandem with the projected development of each parcel of the Project. The progressive payments are as shown in the table below:-

| Payment No. | Amount (RM) | Date of payment ⁽¹⁾ |
|--|----------------------|--------------------------------|
| Upfront payment (or First Payment) – No. 1 | 3,000 | 18 May 2022 |
| Payment – No. 2 | ⁽²⁾ 8,258 | 28 February 2026 |
| Payment – No. 3 | ⁽²⁾ 6,954 | 28 February 2026 |
| Payment – No. 4 | ⁽²⁾ 869 | 28 February 2026 |
| Payment – No. 5 | 4,346 | 28 February 2027 |
| Payment – No. 6 | 6,085 | 28 February 2029 |
| Payment – No. 7 | 6,085 | 28 February 2030 |
| Payment – No. 8 | 4,346 | 29 February 2032 |
| Payment – No. 9 | ⁽³⁾ 2,657 | 28 February 2033 |
| Total | 42,600 | |

Notes:-

- (1) There is no payment for the Landowner's Entitlement in respect of FYE 31 December 2023, FYE 31 December 2024, FYE 31 December 2027 and FYE 31 December 2030 as no launches are projected during these financial years.
- (2) There are 3 payments for the Landowner's Entitlement in respect of FYE 31 December 2025 as 3 parcels of the Project are projected to be launched during this financial year.
- (3) This is a balancing figure that is adopted to arrive at the Minimum Value of RM42.60 million.

It is to be noted that the market value of the Land of RM30.90 million is higher than the present value of the Landowner's Entitlement of RM29.996 million, which further supports the reasonableness of the Landowner's Entitlement.

Please refer to the valuation certificate set out in Appendix III of this Circular for further details of the above valuation approaches.

2.5 Source of funding

(i) Project's before sales collection by Lion Waterfront

The estimated initial working capital required for the Proposed Unincorporated Joint Venture is RM50.0 million, which is expected to be funded via internally generated funds of the Group. The funds required are mainly for the First Payment, construction cost, costs and expenses for the alienation and the land premium.

(ii) Project's after sales collection by Lion Waterfront

As and when such developed units are sold and sales collection starts, the Group expects that the remaining development costs (including the Landowner's Entitlement) will be self-funded until completion of the Project.

2.6 Liabilities to be assumed by LPB

Save for the CG as disclosed in Section 2.3(viii), Part A of this Circular, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by LPB arising from the Proposed Unincorporated Joint Venture.

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3. DETAILS OF THE PROPOSED DIVERSIFICATION

3.1 Background information on the Proposed Diversification

The Group is involved in a range of activities, principally those relating to the following sectors:-

- (i) Building materials and steel products - trading and distribution of building materials and steel products.
- (ii) Lubricants, petroleum products and automotive products - manufacturing, trading and distribution of petroleum products, trading and distribution of lubricants and automotive components.
- (iii) Others - investment holding, distribution and retailing of consumer products and provision of training services.

At this juncture, the Group is not involved in any property development activities and has not undertaken any property development activities in the past.

Moving forward, apart from the Project, the Group may also undertake other property development projects as and when the opportunities arise. In turn, the Group anticipates that such property development activities may contribute 25% or more of the net profits or result in a diversion of 25% or more of the NA of the Group.

For information, the Group's key financial indicators for the past 3 financial years and the latest 6-month financial results are as follows:-

| | Audited | | | Unaudited |
|---|---------------------|---------------------|---|--------------------------------|
| | FYE 30 June 2019 | FYE 30 June 2020 | 18-month FPE 31 December 2021* | 6-month FPE 30 June 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment revenue: | | | | |
| (i) Building materials and steel products | 381,680 | 331,734 | 739,917 | 357,082 |
| (ii) Lubricants, petroleum products and automotive products | 93,110 | 78,902 | 119,822 | 54,571 |
| (iii) Others | 1,216 | 869 | 12,069 | 788 |
| Revenue | 476,006 | 411,505 | 871,808 | 412,441 |
| Segment profit/(loss): | | | | |
| (i) Building materials and steel products | 2,389 | 22,211 | 9,012 | 2,154 |
| (ii) Lubricants, petroleum products and automotive products | 13,786 | 13,864 | 17,560 | 3,168 |
| (iii) Others | (7,498) | (6,473) | (17,411) | (4,022) |
| Segment profit/(loss) | 8,677 | 29,602 | 9,161 | 1,300 |
| Profit/(loss) after tax | 9,075 | 31,745 | 141,195 | (1,326) |
| NA | 551,729 | 577,995 | 739,096 | 742,871 |
| Borrowings | 860 | 16 | 16,860 | 5,077 |

* On 4 June 2021, the Group had changed its financial year end from 30 June to 31 December.

Pursuant to Paragraph 10.13(1) of the Listing Requirements, the Company is required to obtain approval from the Shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25% or more of the NA of the listed issuer to an operation which differs from those operations previously carried on by the listed issuer; or
- (b) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

Taking into consideration the Proposed Unincorporated Joint Venture which in turn would allow the Group to undertake the Project that is expected to yield an estimated GDV of RM867 million and estimated profit before tax of RM216 million over a development period of 10 years, and barring any unforeseen circumstances, the property development business is anticipated to contribute 25% or more of the net profits and/or result in a diversion of 25% or more of the NA of the Group moving forward. For information, 25% of the net profits and NA of the Group are approximately RM35.3 million and RM184.8 million based on the latest audited financial results for 18-month FPE 31 December 2021.

Thus, in conjunction with the Proposed Unincorporated Joint Venture, the Company is seeking approval from the Shareholders for the Proposed Diversification at the Company's forthcoming EGM.

Notwithstanding the Proposed Diversification, the Group will continue with the existing principal activities of the Group.

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3.2 Key management personnel

In view that the Group does not have prior experience in property development, the Group plans to recruit or appoint relevant key management personnel with the requisite property development experience including candidates from the Lion Group Property Division within 3 to 6 months from the Unconditional Date.

(a) Profile of the Lion Group Property Division

The Lion Group Property Division is involved in the entire spectrum of property investment, development and management of various types of properties for the property development projects in Malaysia under the stewardship of TSWC.

For the avoidance of doubt, TSWC, being the Non-Independent Non-Executive Chairman of the Group, will not be personally involved in the operations of the property development business of the Group.

The Lion Group Property Division's portfolio of developments include the following:-

(i) Completed projects

| | Size (Acreage) | Approximate GDV RM'million |
|--|-------------------|-------------------------------|
| Residential project | | |
| - Bandar Mahkota Cheras (Selangor) <i>(Quartz Villa, Sunstone Villa, Eastpark 72 and The Vantage)</i> | 41 | 490 |
| - Bandar Bukit Mahkota Bangi (Selangor) <i>(Banyan Close and Crescent Park)</i> | 29 | 275 |
| - Bandar Mahkota Banting (Selangor) | 1,128 | 293 |
| - Tiara Ville Melaka (Melaka) | 19 | 93 |
| Commercial project | | |
| - Bandar Mahkota Cheras (Selangor) <i>(Mahkota Walk and M-Row)</i> | 6 | 117 |
| - Bandar Bukit Mahkota Bangi (Selangor) <i>(D' Niaga and 40 unit Double Storey Shop Lot)</i> | 7 | 53 |
| - Lion Office Tower (Kuala Lumpur) | 2 | 91 |
| High-rise residential development project | | |
| - St Mary Residences (Kuala Lumpur) | 5 | 875 |
| - Twins @ Damansara Heights (Kuala Lumpur) | 2 | 442 |
| - One Residency (Kuala Lumpur) | 2 | 188 |
| - Saujana Residency (Subang Jaya) | 3.5 | 147 |
| Industrial development project | | |
| - Beranang Industrial Park | 270 | 129 |

(ii) On-going and planned projects

| | Size (Acreage) | Approximate GDV RM'million |
|---|-------------------|-------------------------------|
| Residential project | | |
| - Bandar Mahkota Cheras (Selangor) <i>(Resilience Residence and Up-Coming Development)</i> | 23 | 580 |
| - Bandar Bukit Mahkota Bangi (Selangor) <i>(Serimba Terrace and Up-Coming Development)</i> | 18 | 223 |
| - Taman Supreme (Kuala Lumpur) <i>(Up-Coming Development)</i> | 20 | 438 |
| Industrial development project | | |
| - Banting Industrial Park (Selangor) | 766 | 2,161 |

(b) **Key management personnel recruitment and organisational structure**

In respect of the Proposed Unincorporated Joint Venture, Mr. Chris Yen Foo Lun ("**Mr. Chris Yen**") was seconded to pursue and negotiate with Landasan Lumayan the terms and conditions for the Project which included but not limited to the presentation of the Project's preliminary conceptual plan.

He is currently the General Manager (Project Department) of the Lion Group Property Division and manages certain projects within the Lion Group Property Division.

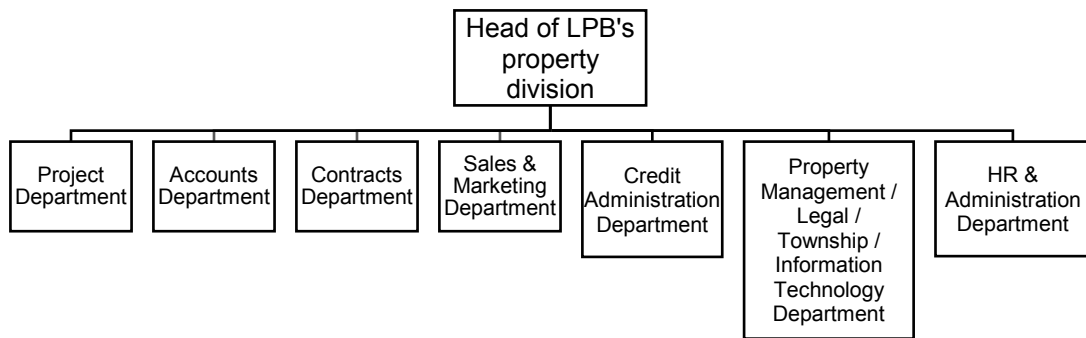
Subject to the Shareholders' approval for the Proposals at the Company's forthcoming EGM and the fulfilment of the other Conditions Precedent as stated in Section 2.3(ix) above, the Group will formally recruit Mr. Chris Yen as the Head of LPB's Property Division to be responsible for the overall management and to oversee the management team for the new property division to be set up by the Company for the Group's property development in Malaysia including but not limited to the Project.

Mr. Chris Yen, a Malaysian aged 46 obtained his Bachelor of Surveying (Hons) - Property Management in 1999 from the Universiti Teknologi Malaysia. He has more than 22 years of experience in project planning and management. He is also a licensed property manager who has been registered with the Malaysian Board of Valuers, Appraisers, Estate Agents and Property Managers since 2020.

Mr. Chris Yen joined the Lion Group Property Division in 2012 and is involved in property development projects such as Bandar Bukit Mahkota Bangi (Selangor), Bandar Mahkota Cheras (Selangor) and Tiara Ville Melaka (Melaka) as stated in Section 3.2(a) above.

Mr. Chris Yen's previous working experience in other property development projects prior to joining the Lion Group Property Division included Bandar Nusajaya Johor, Prima Saujana, Prima Damansara, Bandar Bukit Tinggi 1 & 2, Bandar Parksland, Paradigm Mall, Kajang 2, Kajang East and MKH Boulevard.

The organisational structure for the new property division to be set up by the Company is set out below:



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4. RATIONALE OF THE PROPOSALS

4.1 Proposed Unincorporated Joint Venture

The Proposed Unincorporated Joint Venture allows the Group to undertake the development of the Project.

The Project is expected to contribute positively to the earnings of the Group premised on the strategic location of the Project with river frontage of Sungai Klang and easy accessibility via major roads and highways.

In turn, the Project will provide an alternative source of income for the Group in addition to its existing businesses mainly in trading and distribution of building materials and steel products, automotive lubricants and parts.

4.2 Proposed Diversification

In conjunction with the Proposed Unincorporated Joint Venture, the approval of the Shareholders is sought for the Proposed Diversification as the Group is currently not involved in the property development business.

Moving forward, apart from the Project, the Group may also undertake other property development projects as and when the opportunities arise. In turn, property development activities are expected to contribute positively to the future earnings of the Group, premised on the prospects of the property market in Malaysia as set out in Section 6.2, Part A of this Circular.

The property market showed signs of recovery following the implementation of various stimulus provided by the government which has helped to sustain the confidence of the industry and households at large in coping with the impact of the COVID-19 pandemic. According to the Malaysia Property Market Report First Half 2022 issued by the Valuation and Property Services Department of the Ministry of Finance Malaysia, the property market activity recorded a better performance in the first half of 2022 (H1 2022) with more than 188,000 transactions worth RM84.40 billion were recorded, showing an increase of more than 30% in volume and value compared to the corresponding first half of 2021 (H1 2021), where all property sectors recorded year-on-year growth.

In view thereof, the Group plans to set up a management team with the requisite property development experience and expertise to be recruited or appointed including candidates from the Lion Group Property Division as set out in Section 3.2, Part A of this Circular as the Group is expecting that the property development activities will be one of the core businesses of the Group moving forward.

4.3 Put Option Agreement

As stated above, it is LPB's intention to diversify into property development business including undertaking other property development projects in the future as and when the opportunities arise. The granting of the Put Option by TSWC will not in any way affect LPB's intention in diversifying into the property development business but rather it is to provide LPB, at its sole discretion, an option to exit the Project at any time from the date the Development Agreement becomes unconditional up to the expiry of the Development Period or the Extended Development Period after having considered, *inter-alia*, the actual performance and return of the Project.

5. RISK FACTORS IN RELATION TO THE PROPOSALS

5.1 Proposed Unincorporated Joint Venture

The Proposed Unincorporated Joint Venture is undertaken to allow the Group to undertake the Project.

The Project is subject to the risk of cost overruns as a result of, amongst others, unexpected hikes in the costs of building materials, disruptions to the supply chain and shortages of labour. Prices of building materials such as steel bar and cement have been increasing steadily over the last few years. If this trend continues, the expected profit that can be derived from the Project may be affected. In addition, the current acute migrant labour shortage may further affect the expected profit of the Project despite the lifting of the COVID-19 freeze on recruiting foreign workers. Shortage of building materials and/or labour may also lead to delays in the Project timeline.

Any prolonged delay may result in cost overruns and may expose the Group to potential liabilities in the form of liquidated damages to be paid to the end purchasers. As such, generally there is no assurance that the Project will progress in a timely manner and that the occurrence of any of the abovementioned factors will not result in material adverse effects on the business and financial performance of the Group.

Notwithstanding the above, the Group plans to set up a management team with the requisite property development experience and expertise to be recruited or appointed including candidates from the Lion Group Property Division to mitigate these risks. Further details on the management team to be set up are set out in Section 3.2, Part A of this Circular.

The Project is also subject to demand risks in relation to the property market. An unexpected softer property market or economic slowdown may result in lower take-up rates.

Notwithstanding the above, LPB is cautiously optimistic on the long-term prospects of the property market premised on the pick-up in economic growth as the COVID-19 pandemic is gradually contained and the Group's target market segment of affordable housing comprising the B40 Group and M40 Group.

According to the Malaysia Property Market Report First Half 2022 issued by the Valuation and Property Services Department of the Ministry of Finance Malaysia:-

- (i) more than 188,000 transactions worth RM84.40 billion were recorded, showing an increase of more than 30% in volume and value compared to the corresponding first half of 2021 (H1 2021), where all property sectors recorded year-on-year growth.
- (ii) the residential sub-sector saw a year-on-year increase in volume and value of transactions by of 26.3% and 32.2% respectively; and
- (iii) the commercial sub-sector saw a year-on-year increase in volume and value of transactions by 45.4% and 28.3% respectively.

5.2 Proposed Diversification

The Group does not have prior experience in the property development business.

Notwithstanding the above, the Group will set up an experienced management team by recruiting the relevant personnel with requisite experience in the property development business to spearhead the Group's new property development division. Further details on the management team to be set up are set out in Section 3.2, Part A of this Circular.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Malaysian economy

The Malaysian economy registered a stronger growth of 14.2% in the third quarter of (“3Q”) 2022 (second quarter of (“2Q”) 2022: 8.9%). While there were base effects from the negative growth in the third quarter of 2021, growth was also driven by strong domestic demand, underpinned by improvements in labour market and income conditions, as well as ongoing policy support. Exports remained supported by strong demand for Electrical and Electronics (“E&E”) products. The recovery of inbound tourism lent further support to economic activity. By sector, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2022, Bank Negara Malaysia, 11 November 2022)

During the quarter, domestic demand expanded by 13.1% (2Q 2022: 13.0%), driven by firm private sector expenditure. Private consumption growth remained robust at 15.1% (2Q 2022: 18.3%). This was attributed to the continued recovery in labour market conditions with higher employment and income growth. The strong performance was driven by spending across both necessities and discretionary items. Policy support, including the increase in minimum wage and Bantuan Keluarga Malaysia also spurred consumer spending. Public consumption expanded at a faster pace of 4.5% (2Q 2022: 2.6%), attributable to higher growth in spending on supplies and services.

The manufacturing sector grew by 13.2% (2Q 2022: 9.2%). The E&E cluster continued to record strong growth (17.3%; 2Q 2022: 15.5%), while the primary sector expanded at a faster pace (6.0%; 2Q 2022: 1.3%) due to the resumption of operations at an existing oil refinery that was previously under maintenance. The consumer cluster registered double-digit growth, lifted by the ramp up of production in the motor vehicle and transport equipment segment to meet the high backlog in orders.

Labour market conditions improved further in the third quarter of 2022, with the unemployment and underemployment rates declining to 3.7% and 1.1% of the labour force, respectively (2Q 2022: 3.9% and 1.3%, respectively). This was supported by strong employment gains, amid an increasing number of workers entering the labour force. The labour force participation rate continued to improve, increasing to 69.4% of the working-age population, above the pre-pandemic level (2Q 2022: 69.2%; 4Q 2019: 68.5%). Data on jobless claims and new job placements from the Employment Insurance System (“EIS”) also showed hiring was sustained amid lower retrenchments during the quarter.

(Source: BNM Quarterly Bulletin 3Q 2022, Bank Negara Malaysia)

Headline inflation is likely to have peaked in 3Q 2022 and is expected to moderate thereafter, albeit remaining elevated. Underlying inflation, as measured by core inflation, is projected to average closer to the upper end of the 2.0% - 3.0% forecast range in 2022, having averaged 2.7% year-to-date, given some demand-driven price pressures amid the high-cost environment. Moving into 2023, headline and core inflation are expected to remain elevated amid both demand and cost pressures, as well as any changes to domestic policy measures. The extent of upward pressures to inflation will remain partly contained by existing price controls, subsidies, and the remaining spare capacity in the economy. The balance of risk to the inflation outlook in 2023 is tilted to the upside and continues to be subject to domestic policy measures on subsidies, as well as global commodity price developments arising mainly from the ongoing military conflict in Ukraine and prolonged supply-related disruptions.

On 3 November 2022, the Monetary Policy Committee (“**MPC**”) of Bank Negara Malaysia decided to increase the Overnight Policy Rate (“**OPR**”) by 25 basis points to 2.75 percent. The ceiling and floor rates of the corridor of the OPR are correspondingly increased to 3.00 percent and 2.50 percent, respectively.

Against the backdrop of continued positive growth prospects for the Malaysian economy, the MPC decided to further adjust the degree of monetary accommodation. The adjustment would also pre-emptively manage the risk of excessive demand on price pressures consistent with the recalibration of monetary policy settings that balances the risks to domestic inflation and sustainable growth. At the current OPR level, the stance of monetary policy remains accommodative and supportive of economic growth. The MPC is not on any pre-set course, which means that monetary policy decisions will continue to depend on evolving conditions and their implications on the overall outlook to domestic inflation and growth. Any adjustments to the monetary policy settings going forward would continue to be done in a measured and gradual manner, ensuring that monetary policy remains accommodative to support sustainable economic growth in an environment of price stability.

(Source: Monetary Policy Statement, Bank Negara Malaysia, 3 November 2022)

6.2 Property market in Malaysia

Property market activity recorded a better performance in the first half of 2022 (H1 2022) with more than 188,000 transactions recorded worth RM84.40 billion, showing an increase of more than 30% in volume and value compared to the same period last year, as all property sectors recorded year-on-year growth.

Residential property sector recorded 116,178 transactions worth RM45.62 billion in the review period, increased by 26.3% in volume and 32.2% in value year-on-year. The four major states namely Pulau Pinang, WP Kuala Lumpur, Johor and Selangor formed about 47% of the total national residential volume.

Commercial property segment recorded 15,169 transactions worth RM14.02 billion recorded, up by 45.4% in volume and 28.3% in value compared to the same period last year. Selangor contributed the highest volume and value to the national market share, with 26.5% in volume (4,025 transactions) and 33.5% in value (RM4.70 billion).

Residential new launches have softened with more than 10,000 units of newly launched recorded, down by 66.7% against 31,687 units (revised) in H1 2021. Against H2 2021, the new launches were lower by 13.3% (H2 2021: 12,173 units). Sales performance for new launches recorded at 20.3%, slightly lower compared to H1 2021 (revised 20.6%) and H2 2021 (28.1%).

The overhang situation improved amidst market recovery. A total of 34,092 overhang units worth RM21.73 billion was recorded, down by 7.5% and 4.6% in volume and value respectively against H2 2021. Most of the overhang is in Johor with 6,040 units worth RM4.73 billion. Likewise, the unsold under construction residential units saw a decrease of 11.1% to 62,404 units compared to H2 2021 (70,231 units).

The property market performance recorded a rebound in H1 2022, a reflective of normalizing economic activity as the country moved towards endemicity. With the positive projection on economic growth by Bank Negara Malaysia, expected between 5.3% to 6.3% in 2022, supported by the implementation of various government initiatives and assistance, the property market performance is expected to be on track.

(Source: Malaysia Property Market Report First Half 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)

6.3 Property market in Central Region (i.e. Putrajaya, Kuala Lumpur and Selangor) and Shah Alam in general

The Central Region property market performance improved in H1 2022, indicated by the increase in market activities. The region registered 44,889 transactions worth RM37.88 billion, increased by 24.4% and 32.6% in volume and value respectively as compared to H1 2021. Combined, these three states formed 23.9% and 44.9% of the national volume and value of transactions.

In terms of transaction volume, Putrajaya, Kuala Lumpur dan Selangor increased by 93.9%, 35.9% and 21.7% respectively. In terms of transaction value, all states also showed an upward trend. Putrajaya increased by 471.3%, followed by Kuala Lumpur (33.2%) and Selangor (30.3%).

By state, Selangor dominated the region's overall property transactions with 80.3% in volume (36,026 transactions) and 71.4% in value (RM27.06 billion) of the total transactions. By sub-sector, residential continued to dominate the region's property transactions, contributing 75.7% (33,985 transactions) of the total. Likewise, residential sub-sector dominated the region's overall property transaction value with 56.9% share.

Residential sub-sector was the main sub-sector for all states. Putrajaya, Kuala Lumpur and Selangor recorded increase of 101.1%, 28.4% and 16.0% in volume of transactions respectively. In terms of transaction value, all states showed upward trend. Putrajaya increased by 313.4%, followed by Kuala Lumpur (58.1%) and Selangor (21.6%).

The Central Region primary market declined for new launches in Kuala Lumpur and Selangor. Kuala Lumpur recorded 435 new launches, decreased by 88.1% compared to H1 2021 (3,651 units), meanwhile Selangor decreased by 84.3% to 1,256 units (H1 2021: 8,009 units). Putrajaya recorded 28 units in new launches.

The unsold under construction unit for residential sub-sector in the Central Region reduced by 14.2% (19,300 units) compared to H2 2021 (22,498 units). Meanwhile the unsold not constructed decreased by 46.7% (5,748 units) compared to H2 2021 (10,791 units).

Central Region completion recorded an increased by 75.3% in H1 2022 (17,636 units) compared to H1 2021 (10,059 units). On the contrary, Central Region starts decreased by 44.2% (H1 2022: 9,763 units) compared to H1 2021 (17,492 units).

The residential property price in H1 2022 showed mix movements across the board. Residential properties both landed and high-rise unit in prominent and established area witnessed a marginal capital appreciation.

Double storey terraces in established schemes such as Tropicana Heights and Ara Damansara in Selangor enjoyed an increase of 10.3% and 9.6% respectively. Meanwhile, double storey terrace in Kuala Lumpur with similarly an increase of 10.3% and 9.6% were recorded in Taman Tun Dr. Ismail and Damansara Height (Bukit Damansara) respectively.

In the high-rise residential segment, strong performances were recorded. In Kuala Lumpur, apartment/condominium located in prominent areas served with efficient road linkages indicating an increase of 2.1% to 15.4%. Meanwhile, apartment/condominium in Selangor namely Impian Sentosa Apartment, Klang Regency Condominium, Cyberia Smarthomes and Bukit Sentosa witnessed an increase between of 8.5% to 9.5% respectively. However, there were instances of declines in selected schemes for terraced houses, apartment and condominium in the region.

(Source: Property Market Report First Half 2022, Valuation and Property Services Department in Ministry of Finance Malaysia)

Over the years, the general locality of Bandar Shah Alam has experienced vast changes and intense developments. The entire locality has transformed from a merely administrative city of Selangor State and residential area of its workforce to a mixed variety of residential, commercial and industrial developments, educational institutions and etc.

The existence of several major highways namely the Federal Highway, North-South Highway Central Link (also known as Elite Highway), North Klang Valley Expressway and the KESAS Highway has enhanced the accessibility to this locality and resulted in its rapid development.

With the declaration as a City (or Bandaraya) on October 20, 2000, Shah Alam has grown into a robust regional hub for sought after addresses and large scale projects are being planned and implemented. New residential areas and new townships such as Kemuning Utama, Berjaya Industrial Park, Bukit Jelutong, Setia Alam, Denai Alam and Alam Impian are the few examples of on-going/newly completed massive developments.

The development trend has also moved into relatively smaller development owing to the scarcity of land in matured suburbs.

(Source: Henry Butcher Malaysia Research)

6.4 Prospects and future plans of the Group

The Group is involved in a range of activities, principally those relating to the following sectors:

- (i) Building materials and steel products - trading and distribution of building materials and steel products.
- (ii) Lubricants, petroleum products and automotive products - manufacturing, trading and distribution of petroleum products, trading and distribution of lubricants and automotive components.
- (iii) Others - investment holding, distribution and retailing of consumer products and provision of training services.

During the 18-month FPE 31 December 2021, the Group recorded a revenue of RM871.8 million mainly contributed by the building materials and lubricant businesses. These two core businesses which had been operating under an improving business climate continued to post positive results.

Building materials and steel products division recorded a revenue of RM739.9 million and a profit of RM9.0 million. This was mainly due to the increased sales of steel related products at higher selling prices.

Lubricants, petroleum products and automotive products division recorded a revenue of RM119.8 million and a profit of RM17.6 million as sales of lubricant increased despite higher selling prices.

Overall, the Group registered a profit before tax of RM145.6 million for the 18-month FPE 31 December 2021 which includes a one-off net gain of RM136.5 million from a secured debts settlement arrangement.

The Malaysian economy is expected to be challenging due to uncertainties brought about by external factors particularly weakening global growth and the prolonged geopolitical tensions that have disrupted supply chains and caused global commodity prices to continue to rise, and surging inflation. The inflationary pressures and the hike in interest rate will further dampen consumer spending. Nevertheless, the Group will continue to focus on containing its operating costs and optimising operational efficiencies.

Under the Proposed Diversification, the Group is proposing to embark on the Proposed Unincorporated Joint Venture which in turn would allow the Group to undertake the Project. Based on the Company's preliminary conceptual plan, the Project comprises 200 units of townhouses, 1,106 apartment units, 648 units of affordable housing, 16 commercial shoplots and a clubhouse, to be developed in stages over the expected 10-year development period. Further information on the Land is set out in Section 2.2, Part A of this Circular. The Project, which is expected to yield an estimated GDV of RM867 million, estimated GDC of RM651 million and estimated profit before tax of RM216 million over a development period of 10 years, is expected to contribute positively to the future earnings of the Group premised on the following:-

- (i) strategic location of the Project with a long river frontage of Sungai Klang and easy accessibility via major roads and highways such as Federal Highway, Lebuhraya Kemuning Shah Alam (LKSA) and Konsortium Expressway Shah Alam Selangor (KESAS);
- (ii) the Project is located within an established residential area of Section 24, Shah Alam which is densely populated and therefore suitable for residential development;
- (iii) the Project, which comprises mainly affordable to medium-end housing, is located within the catchment area of its target market as it is in an area which is populated mainly by the B40 Group and the M40 Group; and
- (iv) there are no immediate and oncoming supply of residential and commercial properties in the area surrounding the Project.

Apart from developing the Project, the Group may also undertake other property development projects as and when the opportunities arise moving forward. In turn, property development activities are expected to contribute positively to the future earnings of the Group, premised on the prospects of the property market in Malaysia as set out in Section 6.2, Part A of this Circular and the recruitment of an experienced management team with requisite experience in the property development business as set out in Section 3.2, Part A of this Circular. In view thereof, property development activities are expected to be one of the core businesses of the Group moving forward.

Premised on the above, the Board is optimistic about the future prospects of the Group moving forward.

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7. EFFECTS OF THE PROPOSALS

7.1 Share capital and substantial shareholders' shareholding

The Proposals will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as it does not involve any issuance of new ordinary shares in the Company.

7.2 NA, NA per Share and gearing

The Proposals are not expected to have a material effect on the NA, NA per Share and gearing of the Group based on the audited consolidated statement of financial position of LPB as at 31 December 2021.

7.3 Earnings and EPS

The Proposals are not expected to have a material effect on the earnings and EPS of the Group for the current FYE 31 December 2022.

Nevertheless, barring any unforeseen circumstances, the Proposals are expected to contribute positively to the future earnings and EPS of the Group as and when the Project progresses and the launched units are sold. Any profit attributable would be realised in stages over the expected 10-year development period of the Project based on its progress.

7.4 Convertible securities

The Company does not have any outstanding convertible securities as at the LPD.

8. APPROVALS REQUIRED AND INTER-CONDITIONALITY

8.1 Approvals required

The Proposals are subject to approvals being obtained from the following:-

- (i) the Shareholders at an EGM to be convened for the Proposals; and
- (ii) any other relevant authorities and/or parties, if required.

8.2 Inter-conditionality

The Proposed Unincorporated Joint Venture and the Proposed Diversification are inter-conditional.

The Proposals are not conditional upon any other corporate exercise or scheme being or proposed to be undertaken by the Company.

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9. RELATED PARTY TRANSACTION

The Proposed Unincorporated Joint Venture is deemed a business arrangement between LPB and TSWC, based on the following:-

- (i) On 17 September 2020, Tanahmas Impian, a wholly-owned subsidiary of Pancar Tulin which in turn is a wholly-owned subsidiary of LCB, had entered into the Previous Development Agreement with Landasan Lumayan to form an unincorporated joint venture to develop the Land into the Project.
- (ii) Pursuant to the terms of the Previous Development Agreement, Landasan Lumayan has granted TSWC, being a substantial shareholder of LCB, the First Right of Refusal i.e. an option to nominate an entity to take over the Project from Tanahmas Impian in the event of:-
 - (a) termination of the Previous Development Agreement due to the non-fulfilment of the conditions precedent; or
 - (b) default or breach by Tanahmas Impian which Tanahmas Impian fails to remedy in accordance with the terms of the Previous Development Agreement,within a period of 3 months from the occurrence of any of the aforesaid events.
- (iii) Due to the non-fulfilment of the conditions precedent within the stipulated timeframe, the Previous Development Agreement had lapsed on 16 December 2021. Pursuant thereto, TSWC exercised his First Right of Refusal by nominating a wholly-owned subsidiary of LPB as the entity to form an unincorporated joint-venture with Landasan Lumayan to undertake the Project.

Landasan Lumayan had on 18 April 2022 approved for Lion Waterfront to take over the development of the Project.

In view of the exercise of the First Right of Refusal by TSWC as set out above, the Proposed Unincorporated Joint Venture is a business arrangement that is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

For the avoidance of doubt, TSWC is not entitled to receive any form of commission and/or incentives for his exercise of the First Right of Refusal. In addition, TSWC does not derive any personal benefits from the Proposed Unincorporated Joint Venture other than via his direct and indirect shareholdings in LPB.

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10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

10.1 Directors' interest

(i) Proposed Unincorporated Joint Venture

The following Interested Directors of LPB do not consider themselves independent in respect of the Proposed Unincorporated Joint Venture:-

- (a) TSWC, who is a major Shareholder of LPB and a substantial shareholder of LCB (which is the holding company of Pancar Tulin which in turn owns 100% of Tanahmas Impian), does not consider himself independent of the Proposed Unincorporated Joint Venture in view of the exercise of the First Right of Refusal by him as explained in Section 9, Part A of this Circular; and
- (b) Serena Cheng is the daughter of TSWC and therefore does not consider herself independent of the Proposed Unincorporated Joint Venture.

The Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings of the Company in respect of the Proposed Unincorporated Joint Venture.

In addition, the Interested Directors will abstain and undertake to ensure that persons connected with them who have interests in the shares of the Company will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Unincorporated Joint Venture at the forthcoming EGM.

Save as disclosed above, none of the other Directors of the Company has any interest, direct and/or indirect, in the Proposed Unincorporated Joint Venture.

(ii) Proposed Diversification

None of the Directors of the Company has any interest, direct and/or indirect, in the Proposed Diversification. However, in view that the Proposed Unincorporated Joint Venture and the Proposed Diversification are inter-conditional, the Interested Directors who do not consider themselves independent in respect of the Proposed Unincorporated Joint Venture, have also abstained and will continue to abstain from deliberating and voting at the relevant Board meetings of the Company in respect of the Proposed Diversification.

In addition, the Interested Directors will abstain and undertake to ensure that persons connected with them who have interests in the shares of the Company will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Diversification at the forthcoming EGM.

10.2 Major shareholders' interest

The following interested major shareholders and/or persons connected with them in the Proposals will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolutions pertaining to the Proposals at the forthcoming EGM:-

| Major shareholders | Direct | | Indirect | |
|------------------------------|---------------|------------------|----------------------------|------------------|
| | No. of shares | % ⁽¹⁾ | No. of shares | % ⁽¹⁾ |
| TSWC | 400 | - ⁽²⁾ | 170,183,129 ⁽³⁾ | 74.70 |
| LICB | 45,127,236 | 19.81 | 123,676,884 ⁽⁴⁾ | 54.29 |
| Amsteel Mills Sdn Bhd | 123,632,704 | 54.27 | 44,180 ⁽⁵⁾ | 0.02 |
| LLB Steel Industries Sdn Bhd | - | - | 123,676,884 ⁽⁴⁾ | 54.29 |
| Steelcorp Sdn Bhd | - | - | 123,676,884 ⁽⁴⁾ | 54.29 |

Notes:-

- (1) Based on the issued share capital of 227,826,732 ordinary shares (excluding 3,745,000 treasury shares) in LPB as at the LPD.
- (2) Less than 0.01%.
- (3) Deemed interested by virtue of Section 8 of the Act held via Happyvest (M) Sdn Bhd, Amsteel Mills Sdn Bhd, LICB, LCB, William Cheng Sdn Bhd, Lion Development (Penang) Sdn Bhd, Tirta Enterprise Sdn Bhd, Amanvest (M) Sdn Bhd, Horizon Towers Sdn Bhd, Umatrac Enterprises Sdn Bhd and Amble Bond Sdn Bhd.
- (4) Deemed interested by virtue of Section 8 of the Act held via Amsteel Mills Sdn Bhd, LCB and Umatrac Enterprises Sdn Bhd.
- (5) Deemed interested by virtue of Section 8 of the Act held via LCB and Umatrac Enterprises Sdn Bhd.

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11. INDEPENDENT ADVISER

As stated in Section 9, Part A of this Circular, the Proposed Unincorporated Joint Venture is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

In view that the Proposed Unincorporated Joint Venture and the Proposed Diversification are inter-conditional, Kenanga IB has been appointed as the Independent Adviser for the Proposals. For the avoidance of doubt, the Proposed Diversification is not subject to the requirements under the related party transactions framework pursuant to Paragraph 10.08 of the Listing Requirements.

In respect thereto, the Independent Adviser will undertake the following in relation to the Proposals:-

- (i) comment as to:-
 - (a) whether the Proposals are fair and reasonable so far as the non-interested Shareholders are concerned; and
 - (b) whether the Proposals are to the detriment of the non-interested Shareholders, and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the non-interested Shareholders on whether they should vote in favour of the Proposals; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in respect of (i) and (ii) above.

The IAL from Kenanga IB is set out in Part B of this Circular. Shareholders should read the contents of this Circular (including the IAL) carefully before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

12. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

12.1 Proposed Unincorporated Joint Venture

The Audit and Risk Management Committee of LPB, after having considered the Market Study Report prepared by Henry Butcher (Property Consultant), the Valuation Report prepared by Henry Butcher (Valuer), the evaluation and recommendation by the Independent Adviser, the salient terms, the rationale and all other aspects of the Proposed Unincorporated Joint Venture, is of the opinion that the Proposed Unincorporated Joint Venture is fair, reasonable and on normal commercial terms, is not detrimental to the interest of the non-interested Shareholders and is in the best interests of the Group.

12.2 Proposed Diversification

The Audit and Risk Management Committee of LPB, after having considered the evaluation and recommendation by the Independent Adviser, the rationale and all other aspects of the Proposed Diversification, is of the opinion that the Proposed Diversification is not detrimental to the interest of the non-interested Shareholders and is in the best interests of the Group.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

13.1 Proposed Unincorporated Joint Venture

The Board (save for the Interested Directors), after having considered the Market Study Report prepared by Henry Butcher (Property Consultant), the Valuation Report prepared by Henry Butcher (Valuer), the evaluation and recommendation by the Independent Adviser, the salient terms, the rationale and all other aspects of the Proposed Unincorporated Joint Venture, is of the opinion that the Proposed Unincorporated Joint Venture is fair, reasonable and on normal commercial terms, is not detrimental to the interest of the non-interested Shareholders and is in the best interest of the Group.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Unincorporated Joint Venture to be tabled at the forthcoming EGM.

13.2 Proposed Diversification

The Board (save for the Interested Directors), after having considered the evaluation and recommendation by the Independent Adviser, the rationale and all other aspects of the Proposed Diversification, is of the opinion that the Proposed Diversification is not detrimental to the interest of the non-interested Shareholders and is in the best interests of the Group.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Conditions Precedent of the Development Agreement as set out in Section 2.3(ix), Part A of this Circular, are expected to be fulfilled by the 1st quarter of year 2023.

15. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

As at the LPD, save for the Proposals and the proposed acquisition by Posim Marketing Sdn Bhd ("**Posim Marketing**"), a wholly-owned subsidiary of the Company, of a piece of land measuring 10.879 acres located in Kuala Langat, Selangor for a cash consideration of RM26.0 million from Bonus Essential Sdn Bhd, a company wherein TSWC was deemed to have substantial interest ("**Proposed Acquisition**"), there were no other related party transactions (not being transactions entered into within the ordinary course of business) entered into between the Company and related parties for the 12 months preceding the date of this Circular.

The Proposed Acquisition has become unconditional on 24 June 2022, it is expected to be completed by the second half of 2023 and is currently pending the payment of the balance of RM2.6 million, which shall be paid progressively by Posim Marketing upon the receipt of completed stages for the infrastructure works (being sewerage reticulation works, water reticulation works and works for the supply of utilities services) as certified by the independent engineer or architect. Please refer to the Company's announcements dated 25 November 2021, 27 May 2022 and 24 June 2022 for the details of the Proposed Acquisition.

16. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save for the Proposals and the Proposed Acquisition as set out in Section 15, Part A of this Circular, there is no other corporate exercise or scheme of the Company which have been announced but yet to be completed prior to the printing of this Circular.

17. EGM

The EGM, the Notice of which is enclosed with this Circular, will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Friday, 2 December 2022 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the Office of the Registrar no later than 48 hours before the time for holding the EGM. The completion and lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

The Circular together with the Notice of EGM and Form of Proxy are also available on the websites of the Company at www.lion.com.my/posim-egm and that of Bursa Securities at www.bursamalaysia.com.

18. FURTHER INFORMATION

Shareholders are requested to refer to the IAL as set out in Part B of this Circular and the attached appendices for further information.

Yours faithfully

For and on behalf of the Board of Directors of
LION POSIM BERHAD

Y. BHG. DATO' EOW KWAN HOONG

Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM KENANGA IB TO THE NON-INTERESTED
SHAREHOLDERS IN RELATION TO THE PROPOSALS**

EXECUTIVE SUMMARY

All capitalised terms used in this Executive Summary shall have the same meanings as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this Executive Summary are references to Kenanga IB, being the Independent Adviser for the Proposals.

This Executive Summary is intended to be a brief summary of the IAL which has been prepared by Kenanga IB to provide the non-interested Shareholders with an independent evaluation of the Proposals and to express our recommendation on the Proposals.

You are advised to read and understand both this IAL and the letter from the Board set out in Part A of the Circular together with the accompanying appendices, and to carefully consider the evaluations and recommendations contained in both the letters before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 18 May 2022, Mercury Securities had, on behalf of the Board, announced that Lion Waterfront, a wholly-owned subsidiary of LPB, had on even date entered into the Development Agreement with Landasan Lumayan for the Proposed Unincorporated Joint Venture. In addition, Mercury Securities had also announced that in conjunction with the Proposed Unincorporated Joint Venture, LPB proposes to undertake the Proposed Diversification.

In view of the interests of the Interested Directors and interested major Shareholders as detailed in **Section 10 of Part A of the Circular**, the Proposed Unincorporated Joint Venture is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had on 17 May 2022 appointed us as the Independent Adviser to advise the non-Interested Directors and non-interested Shareholders in respect of the Proposed Unincorporated Joint Venture.

It is to be noted that the Proposed Diversification is not deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. However, in view that the Proposed Unincorporated Joint Venture and the Proposed Diversification are inter-conditional, we have also been appointed by the Board as the Independent Adviser to advise the non-Interested Directors and the non-interested Shareholders in respect of the Proposed Diversification.

2. EVALUATION OF THE PROPOSED UNINCORPORATED JOINT VENTURE

In evaluating the Proposed Unincorporated Joint Venture, we have taken into consideration the following:

| Consideration factors | Reference in the IAL | Evaluation |
|--|----------------------|---|
| Rationale of the Proposed Unincorporated Joint Venture | Section 6.1 | <p>In view that the Group is not involved and has not been involved in any property development activities as at LPD, the Proposed Unincorporated Joint Venture will serve as an entry point for the Group to expand its revenue stream into the business of property development, without an outright purchase of the land, which will otherwise require significant upfront cash outlay.</p> <p>The Project is also expected to contribute positively to the earnings of the Group premised on the strategic location of the Project and the associated good development potential.</p> |

EXECUTIVE SUMMARY (*cont'd*)

| Consideration factors | Reference in the IAL | Evaluation |
|--|----------------------|---|
| | | <p>The Put Option will offer the Company with the flexibility in the future to exit the Project with limited financial consequences after having considered, amongst others, the performance of the Project, at its sole discretion.</p> <p>Based on the above, we are of the view that the rationale of the Proposed Unincorporated Joint Venture are reasonable.</p> |
| Basis and justification of the Landowner's Entitlement | Section 6.2 | <p>In our evaluation on the basis and justification on the Landowner's Entitlement, we have considered the following:</p> <ul style="list-style-type: none"> (i) GDV of approximately RM867 million for the Project; (ii) GDC of approximately RM651 million for the Project; (iii) profit before tax of approximately RM216 million for the Project (after deducting the Landowner's Entitlement); (iv) projected internal rate of return for the Project of approximately 42%; (v) present value of the Landowner's Entitlement of approximately RM28.98 million derived by us based on the Company's projected payments; (vi) market value of the Land of RM30.90 million, as ascribed by Henry Butcher (Valuer); and (vii) precedent joint venture transactions. <p>Based on our evaluation on the above, we note that:</p> <ul style="list-style-type: none"> (i) the estimated range of internal rate of return for the Proposed Unincorporated Joint Venture is 18% (lowest case) to 57% (highest case), and is higher than the cost of equity of the Company; (ii) the estimated net present value of the Landowner's Entitlement of RM28.98 million represents a discount of approximately RM1.92 million or 6.22% to the Market Value of RM30.90 million; and (iii) the Landowner's Entitlement which represents approximately 5% of the Project's estimated GDV, is below the range of the selected precedent joint venture transactions which were announced on Bursa Securities for the past 4 years of 12.0% to 32.5%. <p>Accordingly, we are of the view that the Landowner's Entitlement is fair as the Company would be able to participate in the Project with minimal cost via the Landowner's Entitlement as compared to significant cash outlay with an outright purchase of the Land.</p> |

EXECUTIVE SUMMARY (*cont'd*)

| Consideration factors | Reference in the IAL | Evaluation |
|--|----------------------|--|
| Salient terms of the Development Agreement | Section 6.3 | Based on our review of the salient terms of the Development Agreement, we are of the view that the overall terms and conditions of the Development Agreement are reasonable and not detrimental to the interests of the non-interested Shareholders. |
| Effects of the Proposed Unincorporated Joint Venture | Section 6.4 | <p>We are of the view that the Proposed Unincorporated Joint Venture is reasonable and not detrimental to the interests of the non-interested Shareholders as the Proposed Unincorporated Joint Venture:</p> <ul style="list-style-type: none"> (i) will not have any effect on the share capital and substantial shareholders' shareholding of the Company; (ii) is expected to be earnings accretive and is expected to contribute positively to the future earnings of the Group; (iii) is expected to enhance the future NA of the Group in view of the future earnings expected from the Project over the Development Period; and (iv) will not have any effect on the gearing level of the Group. |
| Industry overview and prospects | Section 6.5 | <p>We note the following:</p> <ul style="list-style-type: none"> (i) in view of the hike in OPR, we would expect a relatively higher interest rate environment and slower growth in the nation moving forward. However, the positive economic data indicators, improved vaccination rates, clearer policies in the Malaysian Government's long-term plans and opening up of international borders will be the drivers in boosting economic recovery; (ii) the property sector in Malaysia is expected to see a gradual improvement backed by a rebound in market sentiment and national economic recovery; (iii) the Government's initiatives such as PENJANA, PRIHATIN and Budget 2022 are expected to encourage home ownership for the nation; and (iv) the property sector in Selangor is also expected to see an improvement premised the state government's initiatives in place and in tandem with the national economic recovery. <p>We are of the view that the future prospects of the Company following the Proposed Unincorporated Joint Venture to be cautiously positive, after taking into consideration, amongst others, the outlook of the Malaysian economy and property market, and the potential benefits as set out in this IAL.</p> |

EXECUTIVE SUMMARY (cont'd)

| Consideration factors | Reference in the IAL | Evaluation |
|---|-----------------------------|---|
| | | Nonetheless, we wish to highlight that the property development business is subject to risks and uncertainties which are not within the Group's control and there is no guarantee that the anticipated benefits will be realised by the Group in the foreseeable future. |
| Risk factors in relation to the Proposed Unincorporated Joint Venture | Section 6.6 | <p>We note that the risks associated with the Proposed Unincorporated Joint Venture are risks that are typically associated with the property development business and are inherent in transactions of this nature.</p> <p>We wish to highlight that although measures will be taken by the Company to mitigate such risks associated with the Proposed Unincorporated Joint Venture, no assurance can be given that one or a combination of the risk factors will not occur and give rise to material adverse impact on the business and operation of the Group, its financial performance or prospects thereon.</p> |

3. EVALUATION OF THE PROPOSED DIVERSIFICATION

We note that the Proposed Diversification is in line with the Group's future plan to include property development activities into its existing businesses, and expects it to contribute positively to the future earnings of the Group. In conjunction with the Proposals, the Group also intends to set up an experienced management team to spearhead the Group's new property development division.

We are of the view that the Proposed Diversification is reasonable and not detrimental to the interests of non-interested Shareholders.

4. CONCLUSION AND RECOMMENDATION

Premised on our evaluation of the Proposals in **Sections 6 and 7 of the IAL**, we are of the opinion that the Proposals are **fair** and **reasonable** and are **not detrimental** to the interests of non-interested Shareholders.

Accordingly, we recommend that the non-interested Shareholders **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.



17 November 2022

To: The non-interested shareholders of Lion Posim Berhad

Dear Sir/Madam,

LION POSIM BERHAD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF LION POSIM BERHAD IN RELATION TO THE PROPOSALS

This independent advice letter is prepared for inclusion in the circular to shareholders of Lion Posim Berhad in relation to the Proposals and should be read in conjunction with the same. All capitalised terms used in this independent advice letter shall have the same meaning as the words and expressions provided in the "Definitions" section of the circular to shareholders of Lion Posim Berhad in relation to the Proposals, except where the context otherwise requires or otherwise as defined herein. All references to "we", "us" or "our" in this independent advice letter are references to Kenanga Investment Bank Berhad, being the Independent Adviser for the Proposals.

1. INTRODUCTION

On 18 May 2022, Mercury Securities had, on behalf of the Board, announced that Lion Waterfront, a wholly-owned subsidiary of LPB, had on even date entered into the Development Agreement with Landasan Lumayan for the Proposed Unincorporated Joint Venture. In addition, Mercury Securities had also announced that in conjunction with the Proposed Unincorporated Joint Venture, LPB proposes to undertake the Proposed Diversification.

For information purposes, LPB had also on 18 May 2022 entered into the Put Option Agreement with TSWC, whereby TSWC has granted LPB the Put Option. The Put Option provides LPB the option to exit the Project at its sole discretion after having considered, amongst others, the performance of the Project.

Please refer to **Appendix I of the Circular** for the salient terms of the Put Option Agreement.

In view of the interests of the Interested Directors and interested major Shareholders as detailed in **Section 10 of Part A of the Circular**, the Proposed Unincorporated Joint Venture is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had on 17 May 2022 appointed us as the Independent Adviser to advise the non-Interested Directors and non-interested Shareholders in respect of the Proposed Unincorporated Joint Venture.

It is to be noted that the Proposed Diversification is not deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. However, in view that the Proposed Unincorporated Joint Venture and the Proposed Diversification are inter-conditional, we have also been appointed by the Board as the Independent Adviser to advise the non-Interested Directors and the non-interested Shareholders in respect of the Proposed Diversification.

The purpose of this IAL is to provide the non-interested Shareholders with an independent evaluation on the fairness and reasonableness of the Proposals insofar as the non-interested Shareholders are concerned. This IAL also opines on whether the Proposals are to the detriment of the non-interested Shareholders as well as to provide a recommendation thereon on the voting of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Nonetheless, the non-interested Shareholders should rely on their own evaluation of the merits of the Proposals before deciding on the course of action to be taken at the forthcoming EGM of the Company.

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This IAL is prepared solely for the use of the non-interested Shareholders for the purpose of considering the merits of the Proposals and should not be used or relied upon by any other party or for any other purposes whatsoever.

THE NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE EVALUATIONS AND RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF THE NON-INTERESTED SHAREHOLDERS ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, THE NON-INTERESTED SHAREHOLDERS OF LPB SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSALS

The Proposed Unincorporated Joint Venture entails the joint venture between Lion Waterfront and Landasan Lumayan to undertake a mixed residential and commercial development on a parcel of land to be alienated by the Selangor State Government to Landasan Lumayan measuring approximately 26.29 acres in Section 24, Shah Alam, Selangor.

In conjunction with the Proposed Unincorporated Joint Venture, the Company will also be undertaking the Proposed Diversification, which will represent the Group's foray into property development.

Further details of the Proposals are set out in **Sections 2 and 3 of Part A of the Circular**, and should be read in its entirety.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

The details of the Interested Directors and interested major Shareholders, and persons connected with them are set out in **Section 10 of Part A of the Circular**.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposals.

The Interested Directors and interested major Shareholders will abstain and have undertaken to ensure that the persons connected with them will also abstain from voting in respect of their direct and/or indirect shareholdings in LPB on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

4. SCOPE AND LIMITATIONS OF OUR EVALUATIONS OF THE PROPOSALS

We have not been involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposals.

Our scope as Independent Adviser is limited to expressing an independent opinion on the Proposals insofar as the non-interested Directors and non-interested Shareholders are concerned based on information and documents made available to us as set out below:

- (i) the information contained in **Part A of the Circular** together with the accompanying appendices (including the valuation certificate);
- (ii) the Development Agreement, the CG and the PA;

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- (iii) the Put Option Agreement;
- (iv) the Market Study Report;
- (v) the Valuation Report;
- (vi) other information, documents, confirmations and/or representations provided by the Board and management of the Company ("**Management**"); and
- (vii) other relevant publicly available information.

It is not within our terms of reference to express any opinion on legal, accounting and taxation issues relating to the Proposals or commercial merits of the Proposals.

We have relied on the Board and the Management to exercise due care to ensure that all information, documents and representations provided to us to facilitate our evaluations are accurate, valid and complete in all material respects and free from material omission. The Board has seen, reviewed and accepted this IAL. We have also undertaken reasonableness checks and where possible, corroborating such information with independent sources. The Board has, individually and collectively, accepted full responsibility for the accuracy, validity and completeness of the information provided to us and given herein (save for our assessment, evaluations and opinions) and has confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there is no omission of any fact that would make any statement in this IAL incomplete, misleading or inaccurate.

Accordingly, having made all reasonable enquiries, we are satisfied with the sufficiency of the information provided and disclosure from the Board and the Management, and we have no reason to believe that any of the information is unreasonable, unreliable, inaccurate, incomplete and/or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

Our evaluations and opinions as set out in this IAL are based upon market, economic, industry, regulatory and the information/documents made available to us, as at the LPD. Such conditions may change significantly over a short period of time. Accordingly, our evaluations and opinions in this IAL do not consider the information, events and conditions arising after the LPD.

We will notify the non-interested Shareholders, if after the despatch of the Circular, we:

- (i) become aware of any significant change affecting the information contained in this IAL;
- (ii) have reasonable grounds to believe that a material statement in this IAL is misleading or deceptive; or
- (iii) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested Shareholders if there are material changes in our recommendation as set out in this IAL.

In forming our opinion, we have considered factors which we believe would be of relevance and general importance to the non-interested Shareholders as a whole. We have not taken into consideration any specific investment objective, financial situation, risk profiles or particular needs of any individual shareholders or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their individual objectives, financial situation, risk profiles or particular needs, to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by any individual shareholder or any specific group of shareholders relying on the evaluation as set out in this IAL for any purpose whatsoever.

5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

Save for our appointment as the Independent Adviser for the Proposals, we do not have any other professional relationship with LPB for the past 2 years preceding the LPD. We confirm that there is no situation of conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser to LPB for the Proposals.

We provide a range of advisory services which include, amongst others, mergers, acquisitions and divestitures, take-overs/general offers, fund raising and initial public offerings. We have experience in the independent analysis of transactions and issuing opinions on whether the terms and financial conditions of a transaction are deemed fair and reasonable, including those of acquisitions, disposals and general offers. We are a holder of a Capital Markets Services Licence issued by the Securities Commission Malaysia as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007.

Our credentials and experience as an Independent Adviser since 2018 up to the LPD, include amongst others, the following:

- (i) independent advice circular dated 15 August 2022 to the holders of the offer shares in Cycle & Carriage Bintang Berhad ("**CCB**") pertaining to the unconditional voluntary take-over offer by Jardine Cycle & Carriage Limited ("**JCCL**") to acquire all the remaining ordinary shares in CCB not already held by JCCL for a cash consideration of RM2.70 per offer share;
- (ii) independent advice letter dated 17 May 2022 to the non-interested shareholders of Shin Yang Shipping Corporation Berhad ("**SYSCORP**") pertaining to the proposed acquisition by SYSCORP of 100% equity interest in Piasau Gas Sdn Bhd ("**Piasau Gas**") comprising 2,500,000 ordinary shares in Piasau Gas from Shin Yang Corporation Sdn Bhd, Geo Sepadu Sdn Bhd, Pui Voon Poh, Hong Ken Choon, Ling Chiong Sing and Tan Sri Datuk Ling Chiong Ho for a total cash consideration of RM22,796,500;
- (iii) independent advice circular dated 30 September 2021 to the holders of the offer shares in IJM Plantations Berhad ("**IJMP**") pertaining to the unconditional mandatory take-over offer by Kuala Lumpur Kepong Berhad ("**KLK**") to acquire all the remaining ordinary shares in IJMP not already held by KLK for a cash consideration of RM3.10 per offer share;
- (iv) independent advice letter dated 15 August 2019 to the non-interested shareholders of Malton Berhad ("**Malton**") in relation to the proposal disposal of 49% of Malton's interest in Pavilion Bukit Jalil Mall and proposed subscription by Khuan Choo Realty Sdn Bhd of up to 215,800,000 redeemable preference shares ("**RPS**")-B in Regal Path Sdn Bhd for an aggregate subscription price of up to RM215,800,000 along with up to 72,595,950 RPS-D in Regal Path Sdn Bhd for an aggregate subscription price of up to RM72,595,950;
- (v) independent advice letter dated 11 June 2019 to the non-interested shareholders of Sarawak Consolidated Industries Berhad ("**SCIB**") pertaining to the proposed acquisition of a parcel of land together with 2 units of industrial buildings erected thereon situated at Sejingkat Industrial Park, Kuching and described as Lot 830 Block 7 Muara Tebas Land District by SCIB Concrete Manufacturing Sdn Bhd, a wholly-owned subsidiary of SCIB, from Reignvest Corporation Sdn Bhd for a cash consideration of RM8.24 million;

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- (vi) independent advice letter dated 25 July 2018 to the non-interested shareholders of Kein Hing International Berhad (“**KHIB**”) pertaining to the proposed acquisition by KHIB of Charter Capital amounting to USD528,000 in Kein Hing Muramoto (Vietnam) Co., Ltd (“**KHMV**”), representing 24% equity interest in KHMV, from Shingo Muramoto for a cash consideration of USD1.10 million;
- (vii) independent advice letter dated 16 May 2018 to the non-interested shareholders of CCM Duopharma Biotech Berhad (“**CCMD**”) pertaining to the proposed acquisition of 806,450 common shares in PanGen Biotech Inc. (“**PanGen**”) representing approximately 8.39% equity interest in PanGen by CCMD from Chemical Company of Malaysia Berhad for a total purchase consideration of RM59.16 million to be satisfied entirely in cash;
- (viii) independent advice letter dated 4 May 2018 to the non-interested shareholders of Malaysian Resources Corporation Berhad (“**MRCB**”) pertaining to the management contract between Kwasa Sentral Sdn Bhd (“**KSSB**”), a 70%-owned subsidiary of MRCB, and MRCB Land Sdn Bhd (“**MRCB Land**”), a wholly-owned subsidiary of MRCB, for the appointment of MRCB Land as the management contractor in connection with the development and construction of a mixed development identified to be the town centre of the Kwasa Damansara Township, on a piece of land owned by KSSB measuring 64.30 acres known as MX-1, held under HSD 315671, Lot No. PT50854, Mukim Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan, for a provisional total project sum of RM7,461.99 million payable in cash;
- (ix) independent advice letter dated 22 February 2018 to the non-interested shareholders of Ibraco Berhad (“**Ibraco**”) pertaining to the proposed sale of a proposed 8-storey strata titled corporate office by Ibraco to Hiap Ghee Seng Sdn Bhd, a major shareholder of Ibraco, for a cash consideration of RM25.50 million; and
- (x) independent advice letter dated 5 February 2018 to the holders of the offer shares in MCT Berhad (“**MCT**”) pertaining to the unconditional mandatory takeover offer by Regent Wise Investments Limited (“**RWIL**”) to acquire all the remaining ordinary shares in MCT not already held by RWIL and its person acting in concert for a cash consideration of RM0.88 per offer share.

Premised on the above, we are capable, competent and have the relevant experience in carrying out our role and responsibilities as the Independent Adviser for the Proposals.

6. EVALUATIONS OF THE PROPOSED UNINCORPORATED JOINT VENTURE

In evaluating the Proposed Unincorporated Joint Venture, we have considered the following:

| | |
|--------------------|---|
| Section 6.1 | : Rationale of the Proposed Unincorporated Joint Venture |
| Section 6.2 | : Basis and justification of the Landowner's Entitlement |
| Section 6.3 | : Salient terms of the Development Agreement |
| Section 6.4 | : Effects of the Proposed Unincorporated Joint Venture |
| Section 6.5 | : Industry overview and prospects |
| Section 6.6 | : Risk factors in relation to the Proposed Unincorporated Joint Venture |

6.1 Rationale of the Proposed Unincorporated Joint Venture

We have taken note of the rationale for the Proposed Unincorporated Joint Venture as set out in **Section 4 of Part A of the Circular** and our comments are as follows:

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LPB is principally involved in investment holding. The main business segments of the Group include:

- (i) trading and distribution of building materials and steel products;
- (ii) manufacturing and trading of lubricants, petroleum-based products and automotive components; and
- (iii) other businesses which include mainly distribution and retailing of consumer products, investment holding and others.

As at the LPD, the Group is not involved and has not been involved in any property development activities in the past. In conjunction with the Proposed Diversification, the Board anticipates that the property development activities moving forward may contribute 25% or more of the net profits or result in a diversion of 25% or more of the NA of the Group. Accordingly, the Proposed Unincorporated Joint Venture will serve as an entry point for the Group to expand its revenue stream into the business of property development, without an outright purchase of the land, which will otherwise require significant upfront cash outlay.

The Project is also expected to contribute positively to the earnings of the Group premised on the strategic location of the Project with river frontage of Sungai Klang and easy accessibility via major roads and highways.

Landasan Lumayan has been appointed by the Selangor State Government to spearhead the Selangor Maritime Gateway initiative, which aims to transform an area covering 88,000 acres of land along Sungai Klang into a maritime economic zone for the state of Selangor. The Selangor Maritime Gateway initiative is a comprehensive development plan focused on river clean-up, rehabilitation and injecting economic, recreational and tourism activities along Sungai Klang. As the Project will be part of the Selangor Maritime Gateway initiative, it is expected to have good development potential and may bring potential benefit to LPB.

In addition, we note that the Put Option will offer LPB the flexibility in the future to exit the Project with limited financial consequences after having considered, inter-alia, the performance of the Project, at its sole discretion. The Put Option may be exercised by LPB at its sole discretion during the Development Period or Extended Development Period.

Premised on our evaluation as set out above, we are of the opinion that the rationale for the Proposed Unincorporated Joint Venture are reasonable. Nevertheless, the non-interested Shareholders should note that the potential benefits arising from the Proposed Unincorporated Joint Venture are subject to certain risk factors as disclosed in Section 5 of Part A of the Circular and our commentaries under Section 6.6 of this IAL.

6.2 Basis and justification of the Landowner's Entitlement

The basis and justification for arriving at the Landowner's Entitlement are set out in **Section 2.4 of Part A of the Circular**.

In setting out our evaluation on the Landowner's Entitlement, we have taken into consideration, amongst others, the following:

- (i) estimated GDV of the Project;
- (ii) estimated GDC of the Project;
- (iii) projected return for the Project;
- (iv) present value of the Landowner's Entitlement derived by us based on the Company's projected cash flows;

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- (v) market value of the Land as ascribed by Henry Butcher (Valuer); and
- (vi) precedent joint venture transactions.

The estimated GDV of the Project

We noted that the Company has estimated the GDV for the Project at approximately RM867 million based on a preliminary conceptual plan on the Land with the breakdown as follows:

| Types of development | No. of unit | Estimated selling price per unit by the Company (RM) | Company's estimated GDV (RM 'million) |
|-----------------------------|--------------------|---|--|
| Townhouse | 200 | 564,700 | 113 |
| Apartment | 1,106 | 467,775 – 541,155 | 568 |
| Rumah Selangorku | 648 | 250,000 | 162 |
| Commercial shoplot | 16 | 1,006,250 | 16 |
| Clubhouse | 1 | 8,256,000 | 8 |
| Total | | | 867 |

The Company's estimated GDV is supported by the Market Study Report prepared by Henry Butcher (Property Consultant), being the independent property consultant appointed by the Company to evaluate the Project in terms of marketability of the proposed products, recommended selling prices and estimated take-up rates.

We have made reasonable enquiries and conducted our own reviews, where possible, with regard to the Market Study Report, and have relied on the Market Study Report in providing our opinion on the reasonableness of the Company's estimated GDV.

In the Market Study Report, Henry Butcher (Property Consultant) has relied on the site and demographic analysis, as well as referenced price range of secondary sales and future supply of residential and commercial units around Shah Alam, where the Land is situated, in arriving at its recommended selling prices. The comparison between the selling price per unit estimated by the Company and Henry Butcher's (Property Consultant) recommendation is set out below:

| Types of development | Estimated selling price per unit by the Company (RM) | Recommended selling price per unit by Henry Butcher (Property Consultant) (RM) |
|-----------------------------|---|---|
| Townhouse | 564,700 | 590,000 |
| Apartment | 467,775 – 541,155 | 468,000 – 542,000 |
| Rumah Selangorku | 250,000 | 250,000 |
| Commercial shoplot | 1,006,250 | 655,650 |
| Clubhouse | 8,256,000 | —* |

Note:

- * Clubhouse is not included in Henry Butcher's (Property Consultant) recommendation on the selling price in the Market Study Report.

We further note from the Market Study Report that:

(i) Townhouse

The development comprises 200 townhouse units to be developed. Henry Butcher (Property Consultant) considers the selling price per unit of approximately RM564,700 proposed by the Company to be low and could potentially be increased if the product is well designed to cater for the target market, and proposes a higher price of approximately RM590,000 per unit.

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(ii) Apartments

The unit size, number of units and price per sq ft for the apartments are as follow:

| Types of development | Unit sizes (sq ft) | Number of units | Price per sq ft (RM) |
|-----------------------------|---------------------------|------------------------|-----------------------------|
| Apartment | 1,150 – 1,175 | 1,106 | 406 – 461 |

Henry Butcher (Property Consultant) considers the selling prices proposed by the Company to be in line with the market for condominiums and not apartments. At the proposed selling prices, the apartment development should be provided with some facilities to be at par with other condominiums at these price levels.

Henry Butcher (Property Consultant) expects new developments with modern design and good layout in the region to be able to command higher price levels at the range of RM400 per sq ft to RM450 per sq ft, and anticipates the take-up rates to be between 80% to 100% within 2 years of launch for the apartments, provided the apartments are well designed to cater for the target market.

(iii) Rumah Selangorku

The development comprises 648 Rumah Selangorku units with an estimated selling price of RM250,000 per unit by the Company.

Henry Butcher (Property Consultant) anticipates that the product should be well-received considering that there is large population of bottom 40% households (“B40”) in the area.

(iv) Commercial shophot

The development comprises 16 units with an estimated selling price of RM1,006,250 per unit by the Company.

While we note that the proposed selling price by Henry Butcher (Property Consultant) of RM655,650 per unit is significantly lower than the proposed selling price from the Company, we understand that there may be potential upside if the river front is upgraded and beautified. In addition, we understand that the Company's proposal is an integrated shophot with common facilities and linkage to the clubhouse. It will be launched in 2 – 3 phases, in which the initial phase is intended to cater for a central sales gallery cum commercial village, and subsequent phases to launch in tandem with the increase in the local population.

Nevertheless, the difference in prices estimated by the Company and Henry Butcher (Property Consultant) is not expected to have material impact on the overall GDV of the Project, in view that the commercial shophot represents approximately only 2.81% of the overall GDV based on the Company's estimates.

(v) Clubhouse

The clubhouse was not included in Henry Butcher's (Property Consultant) recommendation in the Market Study Report as it is not meant for sale.

Overall, the Company's estimated GDV of approximately RM858.91 million (excluding the clubhouse) is 0.02% lower than the estimated GDV derived from the recommended selling prices by Henry Butcher (Property Consultant) of approximately RM859.07 million, and we are of the view that it is not material.

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In the Market Study Report, Henry Butcher (Property Consultant) has also unveiled that:

- (i) units around the area that are priced at about RM390,000 demonstrated nearly full take-up rates; and
- (ii) several new on-going residential developments around the area are mainly targeted at the middle 40% households ("**M40**").

In view that the Project is intended to target the high B40 and low M40 segments, it is anticipated to perform well in that location, taking into consideration the demographics and existing developments in the region.

Premised on the above and having considered the Market Study Report, our evaluation on the IRR of the Project as set out below, and the prospects of the Project as set out in Section 6.5 of this IAL, we are of the view that the GDV estimation by the Company is reasonable.

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Estimated GDC of the Project

The Company has estimated that the GDC for the Project is RM651 million. In arriving at the estimated GDC, the Company has derived the cost components based on past projects undertaken by Pancar Tulin and the JUBM and Arcadis Construction Cost Handbook. The cost components used in the estimation of the GDC for the Project are summarised as below:

| Subject matter | Metrics | Basis and assumptions | Our comment |
|--|---|--|---|
| Building costs ⁽¹⁾ | RM160 per sq ft – RM225 per sq ft | Based on past projects undertaken by Pancar Tulin and JUBM and Arcadis Construction Cost Handbook Malaysia. | We are of the view that the basis and assumptions adopted are reasonable after taking into consideration, amongst others, the JUBM and Arcadis Construction Cost Handbook Malaysia, and that the Company's projection for the Project is within the range or close to quotations from past projects undertaken by Pancar Tulin. |
| Main infrastructure costs ⁽¹⁾ | RM830,000/acre | | |
| Statutory costs | 3.70% of total construction costs which comprises building costs and main infrastructure costs (" TCC ") | | |
| Professional fees | 3.98% of TCC | Based on quotation from past projects undertaken by Pancar Tulin. | We are of the view that the basis and assumptions adopted are reasonable after taking into consideration, amongst others, that the Company's projection for the Project is within the range of quotations from past projects undertaken by Pancar Tulin. |
| Marketing expenses | 2.75% of GDV | | |
| Project administration | 1.50% of GDV | | |
| Project management | 2.20% of GDV | | |
| Contingency costs | 1.00% of development costs including TCC, statutory costs and professional fees. | | |
| Land costs | Aggregate of land alienation premium estimated at RM22 million and Landowner's Entitlement | Land alienation premium is based on indication from the Pejabat Tanah dan Galian Selangor (" Land Office ") | We have reviewed the estimated land alienation premium of RM22 million against the formula provided by the Land Office, and are of the view that the land alienation premium is reasonable. |

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Note:

- (1) The Company has assumed a 20% increase in TCC in view of the current climate of higher raw material prices and labour costs. We are of the view that the 20% increase in TCC reasonable in view that:
- (i) it is higher than the range of year-on-year percentage increase in construction costs of between -14.48% and 13.85% based on the JUBM and Arcadis Construction Cost Handbook for the past 5 years; and
 - (ii) it is higher than the year-on-year comparison of the unit price index on building materials for Peninsular Malaysia which recorded an increase of between 3.7% to 12.1% in October 2022, based on the Special Release 2 (For Building and Structural Works) October 2022 released by the Department of Statistics Malaysia.

A brief description of the GDC components of the Project are as follows:

| GDC Components | Description |
|---------------------------|---|
| Building costs | The estimated building costs comprise various cost elements such as architecture, local infrastructure, substructure and superstructure work. |
| Main infrastructure costs | The estimated main infrastructure costs comprise various cost elements such as earthworks, main drainage, road and water reticulation work. |
| Statutory costs | The statutory costs comprise various cost elements such as utilities connection charges, contribution, development charges and etc. |
| Professional fees | Professional fees represent payment to parties such as, amongst others, architects, engineers, quantity surveyor, landscape architect and etc. |
| Marketing expenses | The marketing expenses represent expenses to be incurred by Lion Waterfront in relation to the marketing, advertising and promotion of the Project. |
| Project administration | The project administration costs represent payment required for day-to-day operations such as staff cost. |
| Project management | Project management costs are expenses to be paid for matters relating to project management such as facilitating regulatory processes. |

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| GDC Components | Description |
|-------------------|---|
| Contingency costs | This sum is an allowance for contingency which is set aside to cover unforeseen circumstances or unexpected cost due to unanticipated market conditions. |
| Land costs | This estimated alienation premium consists of processing fee and premium to be paid to the Land Office for the transfer/re-alienation of the Land in the name of the Landowner. |

After reviewing the underlying basis and assumptions used, we are of the view that the estimated GDC is reasonable.

Projected return for the Project

We note that the Company has estimated the projected return for the Proposed Unincorporated Joint Venture using the internal rate of return (“**IRR**”) method (“**Projected Return**”).

IRR represents the implied average annual rate of return that an investor can expect over the course of the project/investment if the investor invests a pre-determined sum for the project/investment. It also refers to the rate of return that results in the net present value (“**NPV**”) of all cash flows from a particular project/investment equal to zero, representing the breakeven level of a project/investment as well.

Based on the Projected Return, we note that the estimated IRR is approximately 42%, with the assumption that:

- (i) the estimated GDV of the Project of about RM867 million;
- (ii) the estimated GDC of the Project of about RM651 million;
- (iii) the GDV and GDC are recognised at year end, throughout the period of the Project;
- (iv) projection period of a duration of 10 years;
- (v) there will be no significant changes to the present government regulations or any other legislation that may have a material impact on the Proposed Unincorporated Joint Venture or the property development industry;
- (vi) a sum representing 20% of the Project's profit before tax (“**PBT**”), subject to a minimum payment of RM42.6 million, whichever is higher, as the landowner's entitlement to be paid by Lion Waterfront to Landasan Lumayan; and
- (vii) the approval for the Master DO from the relevant authorities in favour of Lion Waterfront to carry out the Project, in line with the master layout plan of the Project, being obtained by Lion Waterfront.

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Based on our review on the bases and assumptions used in the preparation of the Projected Return, we are of the view that it has been reasonably prepared on bases reflecting the best currently available estimates and judgement by the Company and of which the Company is solely responsible for. It should be noted that our evaluation is highly dependent on, amongst others, the achievability and materialisation of the bases and assumptions used therein.

We have performed a sensitivity analysis on the IRR computation to assess the potential upside and downside impact arising from adjustments to GDV and the TCC component of the GDC. As the other components of the GDC (save for TCC) are a mathematical function of the GDV and TCC, no additional multiple was applied on them. The results of the sensitivity analysis is tabulated in the table below ("**Sensitivity Analysis**"):

| | | GDV sensitivity | | | | |
|-----------------|-----------|-----------------|-----|-----------|-----|------|
| | | -10% | -5% | Base case | +5% | +10% |
| TCC sensitivity | -10% | 39% | 45% | 49% | 53% | 57% |
| | -5% | 34% | 41% | 46% | 50% | 54% |
| | Base case | 29% | 36% | 42% | 46% | 50% |
| | +5% | 23% | 31% | 37% | 43% | 47% |
| | +10% | 18% | 25% | 32% | 39% | 43% |

Based on the Sensitivity Analysis above, the estimated range of IRR for the Proposed Unincorporated Joint Venture is from 18% (lowest case) to 57% (highest case).

To assess the reasonableness of the estimated IRR range of 18% (lowest case) to 57% (highest case), we have compared it against the cost of equity (" K_e ") of LPB. In estimating the K_e of LPB, the Capital Asset Pricing Model ("**CAPM**") approach is adopted and it is derived using the formula as shown below:

$$K_e = R_f + [\beta \times EMRP] \text{ (as defined hereafter)}$$

Breakdown of the parameters used in deriving the K_e for LPB are as follow:

| Parameters | Basis and Assumption | Description |
|---|----------------------|--|
| Risk-free rate (" R_f ") | 4.37% | The risk-free rate of return represents the expected rate of return from a risk-free investment. |
| We have relied on the yield of the 10-year Malaysian Government Securities as extracted from Bloomberg as at the LPD, in view that this represents the closest available approximation of a risk-free investment in Malaysia. | | |

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| Parameters | Basis and Assumption | Description |
|-------------------------------------|----------------------|---|
| Beta ("β") | 0.52 | <p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier compared to the market and a beta of lower than 1 signifies that the asset is less risky as compared to the market.</p> <p>In deriving the estimated beta, we have relied on the 3-year historical beta up to the LPD of the Company which is about 0.52.</p> <p>We are of the view that a beta with a historical period of 3 years is reasonable given that:</p> <ul style="list-style-type: none"> (i) while a longer estimation period provides more data, however it is likely to distort the estimate in view that factors such as economic condition tend to change over the years; and (ii) a shorter estimation period can be easily influenced by firm-specific event that occurred during the period and distortion from short-term fluctuation of the market. |
| Equity market risk premium ("EMRP") | 7.69% | <p>The EMRP refers to an excess return that investing in an equity asset provides over a risk-free rate. This excess return compensates investors for taking on the relatively higher risk of equity investing.</p> <p>We have relied on the EMRP for Malaysia as published in July 2022 by Professor Aswath Damodaran, who is an established Professor of Finance at the Stern School of Business at New York University. He has published various researches on equity risk premium since 2008 as well as other papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.</p> |

As such, our computation of the K_e is 8.38%.

In view that the lowest case IRR (as computed and tabulated in the Sensitivity Analysis above) for the Proposed Unincorporated Joint Venture of 18% is higher than the estimated cost of equity of LPB of 8.38%, we are of the view that the IRR for the Proposed Unincorporated Joint Venture is therefore reasonable.

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Present value of the Landowner's Entitlement

For the purpose of estimating the market value of the Land, the Company has appointed Henry Butcher (Valuer) to conduct a valuation on the Land on the basis that it is a parcel of vacant land with development potential. We note that the market value of the Land as ascribed by Henry Butcher (Valuer) is RM30.90 million ("**Market Value**").

The basis of valuation adopted by Henry Butcher (Valuer) in deriving the Market Value is based on the comparison approach, which is the market approach of comparing the Land with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing the properties, factors such as location, size, improvements and amenities, time element and other relevant factors have been considered by Henry Butcher (Valuer) to arrive at its opinion of the Market Value. Only one method has been adopted in valuing the Land as Henry Butcher (Valuer) is of the view that the comparison method is the most appropriate method of valuation to assess the Market Value, as the Land is a parcel of vacant potential development land, and therefore other methods of valuation are not suitable.

We have reviewed the Valuation Report prepared by Henry Butcher (Valuer), and noted that Henry Butcher (Valuer) has confirmed that the valuations are prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisals, Estate Agents and Property Managers, Malaysia. We have made reasonable enquiries and conducted our own reviews, where possible, with regard to the Valuation Report, and have relied on the Valuation Report in providing our opinion on the fairness and reasonableness of the Landowner's Entitlement against the Market Value.

For the purpose of evaluating the Landowner's Entitlement, we have taken into consideration the projected payments and adopted the discounted cash flow ("**DCF**") approach to derive the NPV of the Landowner's Entitlement. The DCF approach incorporates the estimation of future payments over a period of time from the valuation date, and the present value of future payments is then determined by the application of an appropriate discount rate to derive the NPV of the Landowner's Entitlement as at the valuation date.

We have considered and evaluated the key bases and assumptions adopted in the Company's projection of the Landowner's Entitlement and are satisfied that the key bases and assumptions used in the preparation of the projections are reasonable given the prevailing circumstances and significant factors that are known as at the LPD. The following assumptions have been adopted to derive the NPV of the Landowner's Entitlement using the DCF approach:

- (i) the date of valuation is as of the LPD;
- (ii) the K_e of LPB of 8.38% as the discount rate for the DCF;
- (iii) there will not be any significant or material change in the Company's projection of GDV and GDC over the projection period of 10 years, which is expected to have a material adverse effect on the cash flows; and

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- (iv) the Company's estimated Landowner's Entitlement of RM43.46 million is projected to be paid by Lion Waterfront over a period of 10 years in the following manner:

| Payment No. | FYE | Date of payment | Company's projected payable amount ⁽¹⁾ (RM 'million) |
|------------------------------------|------------------|------------------------|--|
| Payment – No. 1 ⁽²⁾ | 31 December 2022 | 18 May 2022 | 3.00 |
| Payment – No. 2 ^{(3) (4)} | 31 December 2025 | 28 February 2026 | 16.08 |
| Payment – No. 3 ⁽³⁾ | 31 December 2026 | 28 February 2027 | 4.35 |
| Payment – No. 4 ⁽³⁾ | 31 December 2028 | 28 February 2029 | 6.08 |
| Payment – No. 5 ⁽³⁾ | 31 December 2029 | 28 February 2030 | 6.08 |
| Payment – No. 6 ⁽³⁾ | 31 December 2031 | 29 February 2032 | 4.35 |
| Payment – No. 7 ⁽³⁾ | 31 December 2032 | 28 February 2033 | 3.52 |
| Total | | | 43.46 |

Notes:

- (1) For avoidance of doubt, there is no payment for the Landowner's Entitlement in respect of FYE 31 December 2023, FYE 31 December 2024, FYE 31 December 2027 and FYE 31 December 2030 as no launches are projected during these financial years; and
- (2) The first payment of RM3 million was paid to Landasan Lumayan upon signing of the Development Agreement, which occurred on 18 May 2022.
- (3) These payments are payable to Landasan Lumayan within 2 months from the end of each financial year of Lion Waterfront.
- (4) There are 3 payments for the Landowner's Entitlement in respect of FYE 31 December 2025 as 3 parcels of the Project are projected to be launched during this financial year.

The Landowner's Entitlement of RM43.46 million above represents the Company's projection based on the expected profit of the Project and timing of product launches, and is not equivalent to the Minimum Value. As such, upon taking into consideration our analysis above in relation to the GDV and GDC of the Project and the Development Agreement, we are of the view that the Company's projected payable amount for each of the interval within the 10-years period is reasonable.

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The summary of our evaluation is set out as below:

| | |
|--|---------------------|
| NPV of the Landowner's Entitlement | (1) RM28.98 million |
| Market Value ascribed by Henry Butcher (Valuer) | RM30.90 million |
| | |
| Discount | 6.22% |

Note:

- (1) Based on the Company's projected cash flows in relation to the Landowner's Entitlement. The formula used to derive the present value of the cash flow is as follows:

$$\text{Present value of Landowner's Entitlement} = \frac{\text{Amount to be paid to Landasan Lumayan}}{(1+k_e)^n}$$

whereby, n represents time, in years in the future.

Accordingly, the NPV of the Landowner's Entitlement represents a discount of approximately 6.22% to the Market Value as ascribed by Henry Butcher (Valuer).

Precedent joint venture transactions

As part of our evaluation on the Landowner's Entitlement, we have also considered the selected precedent joint venture transactions announced on Bursa Securities for the past 4 years that were involved in the developments of apartments, residential, commercial and mixed developments which included residential and/or commercial components, of which the payment to landowners is based on the GDV of the respective development projects as follow:

| <u>Company</u> | <u>Date of announcement</u> | <u>Transaction details</u> | <u>Landowner's entitlement to GDV</u> |
|-------------------------------|------------------------------------|---|--|
| ARK Resources Holdings Berhad | 30 Jan 2019 | Joint venture development agreement between ARK Resources Berhad and Koperasi Kampung Melayu Balik Pulau Berhad | 20.0% |

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| Company | Date of announcement | Transaction details | Landowner's entitlement to GDV |
|------------------------------------|-----------------------------|--|---------------------------------------|
| SC Estate Builder Berhad | 4 Feb 2019 | Proposed joint venture between SC Estate Construction Sdn Bhd and B.S Civil Engineering Sdn Bhd for the development of a parcel of freehold commercial land held under HS(D) 14970, PT819, Bandar Alor Setar, Kedah. | 20.0% |
| Protasco Berhad | 1 Mar 2019 | Proposed joint development between De Centrum Retail Sdn Bhd, an indirect wholly-owned subsidiary of Protasco Berhad and Penmaland Sdn Bhd for a mixed residential development in Tampin. | 13.0% |
| Gadang Holdings Berhad | 29 Mar 2019 | Proposed variation to the terms of the joint venture between Achwell Property Sdn Bhd, a wholly-owned subsidiary of Gadang Holdings Berhad, and Capital City Property Sdn Bhd for an integrated development in Bandar Johor Bahru, District of Johor Bahru, Johor. | 16.7% |
| Tropicana Corporation Berhad | 24 Apr 2019 | Proposed collaborations between Tropicana Corporation Berhad and: (a) Pantai Kok Resort Development Sdn Bhd; (b) Sinaran Ramah Sdn Bhd; (c) Suci Padu Sdn Bhd; and (d) Ibarat Indah Sdn Bhd for the developments in Pantai Kok, Pulau Rebak Kechik and Pekan Nanas. | 12.0% |
| TAFI Industries Berhad | 5 Nov 2020 | Joint development agreement between TAFI Development Sdn Bhd, a wholly-owned subsidiary of TAFI Industries Berhad, and E Prompt Sdn Bhd for a proposed mixed development in Cameron Highlands. | 16.0% - 25.0% |
| Ho Hup Construction Company Berhad | 26 Nov 2020 | Proposed joint venture between Ho Hup Dagang Jaya Sdn Bhd, a wholly-owned subsidiary of Ho Hup Construction Company Bhd and Low Chee Group Sdn Bhd for a residential development in Taman Dagang Jaya, Ampang | 18.0% |

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| Company | Date of announcement | Transaction details | Landowner's entitlement to GDV |
|-----------------------|-----------------------------|---|---------------------------------------|
| Hil Industries Berhad | 20 Apr 2021 | Proposed 4 conditional joint venture agreements with Unik Sejati Sdn Bhd, Pembinaan Kesentosaan Sdn Bhd and Amverton Carey Golf & Island Resort Sdn Bhd to undertake residential development on 5 parcels of land located in Mukim Sungai Buloh, Mukim Klang and Mukim Jugra, Selangor. | 21.0% - 27.0% |
| OCB Berhad | 30 May 2022 | Proposed joint venture between Enigma Sinar Sdn Bhd, an 80%-owned subsidiary of OCB Berhad, and Worldklang Group Property Development Sdn Bhd for the proposed development of a piece of land situated in Mukim Kapar, Daerah Klang, Negeri Selangor. | 32.5% |

Based on the Company's projections for the Proposed Unincorporated Joint Venture, the Landowner's Entitlement is estimated at RM43.46 million, representing approximately 5.0% of the Project's estimated GDV, which is below the range of landowner's entitlements in precedent joint venture transactions in the past 4 years of 12.0% to 32.5%.

However, we wish to highlight that there are no precedent joint venture transactions which may be considered identical to the Project in terms of, amongst others, the type of development, location and payment terms.

Based on our evaluation above, we noted that:

- (a) the NPV of the Landowner's Entitlement of RM28.98 million represents a discount of approximately RM1.9 million or 6.22% to the Market Value of RM30.90 million; and
- (b) the Landowner's Entitlement which represents approximately 5% of the Project's estimated GDV is below the range of landowner's entitlements in precedent joint venture transactions for the past 4 years of 12.0% to 32.5%.

Hence, we are of the opinion that the Landowner's Entitlement is fair as the Company would be able to participate in the Project with minimal cost via the Landowner's Entitlement as compared to significant cash outlay with an outright purchase of the Land.

6.3 Salient terms of the Development Agreement

Our commentaries on the salient terms of the Development Agreement as set out in **Section 2.3 of Part A of the Circular** are as follows:

| No | Salient terms of the Development Agreement | Our comments |
|--|---|---|
| <u>Agreement for joint venture</u> | | |
| (i) | Landasan Lumayan is to procure the alienation of the Land for the Project free from any encumbrances and the costs and expenses for the alienation and the land premium shall be payable by Lion Waterfront. | Terms (i) and (ii) set out the obligations and responsibilities of Landasan Lumayan to Lion Waterfront in the Project under the Proposed Unincorporated Joint Venture and ensures that the necessary approvals from relevant authorities are in place prior to or in the course of undertaking the Project. Term (iii) sets out the responsibilities and obligations of Lion Waterfront in the Project. We are of the view that these terms are reasonable. |
| (ii) | Landasan Lumayan is responsible for causing the Land to be surrendered and re-alienated in its name with the relevant category of land use and express conditions suitable for the Project. | |
| (iii) | Lion Waterfront shall manage and carry out the entire development process at its own costs and expenses. | |
| <u>Development Period / Extended Development Period</u> | | |
| (iv) | The Project shall be completed within 10 years from the possession date (“ Development Period ”) or such later date which is mutually agreed in writing (“ Extended Development Period ”) and provided that Lion Waterfront makes full payment of the Minimum Value to Landasan Lumayan within 2 months from the end of the financial year of Lion Waterfront following the expiry of the Development Period. | This term sets out the Development Period of the Project. The Management has estimated construction periods of 9 years for the Project which is within the Development Period. We are of the view that this term is reasonable. |
| <u>Landowner’s Entitlement</u> | | |
| (v) | Landasan Lumayan shall grant Lion Waterfront the right to carry out the Project on the Land. In return, Lion Waterfront shall pay Landasan Lumayan a sum representing 20% of the PBT of the Project (“ Agreed Value ”), subject to a minimum payment of RM42.60 million (“ Minimum Value ”), whichever is the higher (“ Landowner’s Entitlement ”). | This term sets out Landasan Lumayan’s entitlement to the Project and is typical in joint development agreements. Our assessment on the Landowner’s Entitlement is set out in Section 6.2 of this IAL and we are of the view that it is fair and reasonable. |

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| <u>Payment of Landowner's Entitlement</u> | | |
|--|--|--|
| (vi) | The Landowner's Entitlement shall be payable in the following manner: | <p>Terms (vi) and (vii) set out that Lion Waterfront will pay the First Payment to Landasan Lumayan in return for a power of attorney to facilitate the Master DO. These terms also set out the manner of the payment of the entitlement to Landasan Lumayan under the Proposed Unincorporated Joint Venture.</p> <p>We are of the view that the terms are favourable to Lion Waterfront as payments to be made to Landasan Lumayan are progressively on an annual basis, being 2 months from the end of each financial year of Lion Waterfront.</p> <p>The First Payment represents a minimum initial outlay by Lion Waterfront, where a deposit of only RM3 million is required to secure the development rights over a prime piece of land with estimated GDV of RM867 million. In addition, the First Payment will count towards the payment of Landowners' Entitlement.</p> <p>Hence, we are of the view that these terms are reasonable.</p> |
| | <p>(a) Lion Waterfront shall pay RM3.0 million ("First Payment") to Landasan Lumayan upon signing of the Development Agreement;</p> <p>(b) Lion Waterfront shall pay to Landasan Lumayan the Agreed Value in excess of the First Payment annually within 2 months from the end of the financial year of Lion Waterfront; and</p> <p>(c) in the event the Agreed Value paid at the expiry of the Development Period is lower than the Minimum Value, Lion Waterfront shall pay the difference to Landasan Lumayan no later than 2 months from the end of its financial year following the expiry of the Development Period.</p> | |
| <u>Power of attorney</u> | | |
| (vii) | <p>In exchange for the First Payment by Lion Waterfront upon execution of the Development Agreement, Landasan Lumayan shall, in turn, deliver to Lion Waterfront a power of attorney ("PA") to facilitate the timely submission of the applications required for the Master DO. The PA was received by Lion Waterfront on 18 May 2022. Subsequently, the PA was registered with the High Court and the land office on 8 June 2022 and 26 July 2022 respectively.</p> <p>The limited PA is granted to Lion Waterfront to enable it to apply for and submit applications for the necessary approvals, permits and licenses from the relevant authorities in relation to the Project and for the construction thereof.</p> | |

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| Corporate guarantee | |
|----------------------------|---|
| (viii) | <p>LPB shall provide a corporate guarantee (“CG”) for the performance by Lion Waterfront in accordance with the Development Agreement. A conditional CG was executed on 18 May 2022.</p> <p>Pursuant to the CG, the Company unconditionally and irrevocably guarantees the due and punctual payment of the Landowner’s Entitlement and the due and punctual performance and observance by Lion Waterfront of all other obligations of Lion Waterfront contained in the Development Agreement to which it is a party, notwithstanding any dispute between Landasan Lumayan and Lion Waterfront, and:-</p> <ul style="list-style-type: none"> (a) if Lion Waterfront fails to pay any amount of the Landowner’s Entitlement when due, LPB shall pay such amount to Landasan Lumayan in the required currency upon receiving Landasan Lumayan’s first written demand; and/or (b) if Lion Waterfront fails to perform its obligations under the Development Agreement, LPB shall procure Lion Waterfront to fulfill its obligations under the Development Agreement; and/or (c) if Lion Waterfront fails to complete the Project, LPB shall complete the Project in accordance with the terms of the Development Agreement pursuant to Clause 15.2(a)(i) and 15.2(b)(i) of the Development Agreement. <p>The CG becomes effective only on the date when the last of the Conditions Precedent has been fulfilled.</p> <p>If at any time the Landowner’s Entitlement has been paid or discharged in full and all the obligations of Lion Waterfront have been performed in full and pursuant thereto Lion Waterfront has no actual or contingent obligations under or in connection with the CG and/or the Development Agreement, then all rights of Landasan Lumayan thereunder shall be terminated and LPB shall be released from its obligations under the CG and Landasan Lumayan shall, upon the written request of LPB and at the cost of LPB, duly do or permit to be done all such acts and execute and deliver or permit the execution and delivery of any and all such further instruments and documents for the purpose of effecting such release.</p> |

We note that the CG provided by LPB for the performance of Lion Waterfront pursuant to the Development Agreement is a commercial term negotiated between the parties.

We are of the view that these terms are reasonable as they ensure that the relevant terms in the Development Agreement will be fulfilled by LPB, in the event that Lion Waterfront fails to fulfil them.

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| Conditions Precedent | | |
|----------------------|--|---|
| (ix) | <p>The Development Agreement in relation to the Proposed Unincorporated Joint Venture is conditional upon the following Conditions Precedent being fulfilled within the Approval Period:-</p> <p>(a) subject always to (i) the condition precedent as stipulated in Section 6.3(ix)(d) below having been fulfilled; and (ii) a pre-computation plan having been furnished by Lion Waterfront to Landasan Lumayan, the approval of the relevant authorities for the surrender and re-alienation of the Land, consistent with the approved Master DO, being obtained by Landasan Lumayan for purposes of complying with the restrictions contained in the title of the Land and fulfilling the category of land use and express condition of the Land based on the layout plan as may be approved by the relevant authorities in respect of the Project ("Alienation Approval");</p> <p>(b) (i) the approval of the board of LPB and Lion Waterfront (if required) for the execution, delivery and performance of the Development Agreement, of which the approval of the board of LPB was obtained on 17 May 2022 and the approval of the board of Lion Waterfront was obtained on 18 May 2022; and (ii) the approval of the board of LPB for the execution, delivery and performance of the CG, which was obtained on 17 May 2022;</p> <p>(c) (i) the approval of the Shareholders and the shareholders of Lion Waterfront for the execution, delivery and performance of the Development Agreement; and (ii) the approval of the Shareholders for the execution, delivery and performance of the CG;</p> | <p>These terms set out the conditions to be fulfilled between the parties and the necessary approvals/ procedures to effect and facilitate the Proposed Unincorporated Joint Venture.</p> <p>This term is reasonable as it ensures that all the necessary approvals have to be obtained within the 6-month period (with an automatic extension of 3 months) to ensure compliance of the Project with the law and regulations.</p> <p>This term is reasonable as these approvals are required to proceed with the Proposed Unincorporated Joint Venture, and the relevant Interested Directors have abstained from voting at the relevant Board meetings and will ensure that persons connected with them will abstain from voting at the forthcoming EGM in relation to the Proposed Unincorporated Joint Venture.</p> <p>This term is reasonable as approval of the Shareholders pertaining to the Proposed Unincorporated Joint Venture is required to be in compliance with Paragraph 10.08 of the Listing Requirements.</p> |

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| <u>Conditions precedents of the Development Agreement (cont'd)</u> | | |
|---|--|--|
| | <p>(d) the approval for the Master DO from the relevant authorities in favour of Lion Waterfront* to carry out the Project, in line with the master layout plan of the Project, being obtained by Lion Waterfront; and</p> <p>* <i>Following receipt of the PA on 18 May 2022, Lion Waterfront had, between 18 July 2022 to 16 August 2022, submitted various applications to the relevant authorities in order to obtain approvals for the Master DO. As at the LPD, the application for the Master DO is still pending approvals from the relevant authorities.</i></p> <p>(e) the approvals of any other relevant authorities as may be required for the matters contemplated in the Development Agreement being obtained by Lion Waterfront.</p> | <p>This term is reasonable to ensure that all the necessary approvals have been obtained within the 6-month period (with an automatic extension of 3 months) to ensure compliance of the Project with the law and regulations.</p> |
| <u>Non-fulfilment of Conditions Precedents</u> | | |
| (x) | <p>In the event the Development Agreement is terminated due to non-fulfilment of the Conditions Precedent as stated in Section 6.3(ix) above, Landasan Lumayan shall, within 10 Business Days from the date of termination of the Development Agreement:-</p> <p>(a) return the First Payment to Lion Waterfront; and</p> <p>(b) return the CG for cancellation in exchange for the return of the PA for revocation.</p> | <p>We consider these terms to be reasonable in view that it serves to safeguard the interest of LPB in the event of termination of the Development Agreement due to non-fulfilment of Conditions Precedent, ensuring remedies are made by Landasan Lumayan to LPB within 10 Business Days.</p> |

Premised on the above, we are of the view that the abovementioned salient terms of the Development Agreement are reasonable and not detrimental to the interests of the non-interested Shareholders.

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6.4 Effects of the Proposed Unincorporated Joint Venture

We take cognisance of the effects of the Proposed Unincorporated Joint Venture from **Section 7 of Part A of the Circular**.

Our commentaries on the effects are summarised as follow:

| Effects | Our comments |
|--|--|
| Share capital and substantial shareholders' shareholdings | As the Proposed Unincorporated Joint Venture does not involve issuance of new ordinary shares in LPB, the Proposed Unincorporated Joint Venture will not have any effect on the share capital and substantial shareholders' shareholding of the Company. |
| Earnings and EPS | The Proposed Unincorporated Joint Venture is expected to be earnings accretive and is expected to contribute positively to the future earnings of the Group. |
| NA, NA per Share and gearing | <p>Barring unforeseen circumstances, the expected future earnings from the Project over the Development Period is expected to enhance the future NA of the Group.</p> <p>The Proposed Unincorporated Joint Venture will have no material effect on the gearing level of the Group as the Company intends to finance the Project through internally generated funds, as detailed in Section 2.5 of Part A of the Circular.</p> |

Premised on the above, we are of the opinion that the pro forma effects of the Proposed Unincorporated Joint Venture is reasonable and are not detrimental to the interests of the non-interested Shareholders.

6.5 Industry overview and prospects

We take cognisance of the overview and prospects of the Malaysian economy, property market in Malaysia and the Group as set out in **Section 6 of Part A of the Circular**, and our commentaries are set out below:

(i) Malaysian economy

We note that the growth of Malaysian economy in the third quarter of 2022 has improved to 14.2% from 8.9% in second quarter of 2022, predominantly driven by strong domestic demand, underpinned by improvements in labour market and income conditions, as well as ongoing policy support.

Labour market conditions improved further in the third quarter of 2022, with the unemployment and underemployment rates declining to 3.7% and 1.1% of the labour force, respectively (2Q 2022: 3.9% and 1.3%, respectively). This was supported by strong employment gains, amid an increasing number of workers entering the labour force. Private sector wages also continued to improve in the third quarter of 2022, supported by the strong pace of economic expansion. In terms of momentum, on a quarter-on-quarter seasonally adjusted basis, wage growth moderated closer to pre-crisis averages (1.1%; 2Q 2022: 2.1%; 2015-2019 avg.: 1.4%). Wage growth was driven by broadbased improvements across both the services and manufacturing sectors.

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Going forward, Malaysia's economic growth will be supported by continued expansion in domestic demand. The economy would benefit from the improvement in labour market conditions, realisation of multi-year projects and higher inbound tourism activity. While external demand is expected to moderate, this will be partly cushioned by Malaysia's diversified export base. The balance of risks to Malaysia's growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions

(Source: BNM Quarterly Bulletin Q3 2022, Bank Negara Malaysia)

Headline inflation is likely to have peaked in 3Q 2022 and is expected to moderate thereafter, albeit remaining elevated. Underlying inflation, as measured by core inflation, is projected to average closer to the upper end of the 2.0% - 3.0% forecast range in 2022, having averaged 2.7% year-to-date, given some demand-driven price pressures amid the high-cost environment. Moving into 2023, headline and core inflation are expected to remain elevated amid both demand and cost pressures, as well as any changes to domestic policy measures. The extent of upward pressures to inflation will remain partly contained by existing price controls, subsidies, and the remaining spare capacity in the economy. The balance of risk to the inflation outlook in 2023 is tilted to the upside and continues to be subject to domestic policy measures on subsidies, as well as global commodity price developments arising mainly from the ongoing military conflict in Ukraine and prolonged supply-related disruptions.

On 3 November 2022, Monetary Policy Committee ("**MPC**") of Bank Negara Malaysia had announced to increase the Overnight Policy Rate ("**OPR**") by 25 basis points to 2.75 percent. The ceiling and floor rates of the corridor of the OPR are correspondingly increased to 3.00 percent and 2.50 percent, respectively. Against the backdrop of continued positive growth prospects for the Malaysian economy, the MPC decided to further adjust the degree of monetary accommodation. The adjustment would also pre-emptively manage the risk of excessive demand on price pressures consistent with the recalibration of monetary policy settings that balances the risks to domestic inflation and sustainable growth. At the current OPR level, the stance of monetary policy remains accommodative and supportive of economic growth. Any adjustments to the monetary policy settings going forward would be done in a measured and gradual manner, ensuring that monetary policy remains accommodative to support a sustainable economic growth in an environment of price stability.

(Source: Monetary Policy Statement 3 November 2022, Bank Negara Malaysia)

In view of the hike in OPR, we would expect a relatively higher interest rate environment and slower growth in the nation moving forward. This would translate to a higher cost of borrowing for home buyers which could potentially reduce the property buying tendency. However, the increased OPR shall also serve to normalise the inflationary pressure and monetary conditions, and to mitigate the risk of broader economic and financial imbalances that could jeopardise the country's economic growth.

However, the positive economic data indicators, improved vaccination rates, clearer policies in the Malaysian Government's long-term plans and the opening up of international borders will be the drivers in boosting economic recovery.

Premised on the above, after taking into consideration the risks and recovery expected within the nation, we expect the Malaysian economy to be cautiously satisfactory for 2022.

(ii) Property market in Malaysia

Despite the recent hike in OPR which could discourage property buying tendency within the region as detailed under **Section 6.5(i) of this IAL**, we are of the view that the property sector in Malaysia is expected to see a gradual improvement backed by a rebound in market sentiment and the national economic recovery coupled with the various Government initiatives such as PENJANA and PRIHATIN. For the near term, market confidence will still be heavily influenced by the developments in the COVID-19 front as we will continue to see uncertainties particularly in relation to new variants and various governments' reaction to the same.

We further note that the following were introduced by the Malaysian Government under the Budget 2022 to encourage home ownership which are expected to benefit the B40 and M40 segments further in the nation:

- (a) allocation of RM1.5 billion for housing projects for low-income group;
- (b) real property gains tax not levied on disposals made from the sixth year onwards; and
- (c) allocation of RM2 billion under Skim Jaminan Kredit Perumahan to aid and provide housing loans to individuals without a fixed income.

(Source: Budget 2022, Ministry of Finance)

In view of the Government initiatives and assistance in place, the property market is expected to be on the recovery path, in line with the gradual economic recovery.

(iii) Property market in Central Region (i.e. Putrajaya, Kuala Lumpur and Selangor) and Shah Alam in general

As set out in **Section 6.3 of Part A of the Circular**, we note that for the central region of Malaysia, which consist of Putrajaya, Kuala Lumpur and Selangor, the property market had improved in the first half of 2022, indicated by an increase in market activities.

We further note that the property market in Selangor, being the state in which the Land is located in, had recorded the following during the first half of 2022 (as compared to the first half of 2021):

- (a) overall transaction volume and value in Selangor increased by 21.7% and 30.3%, respectively;
- (b) residential sector recorded an increase in transaction volume and value of 16.0% and 21.6%, respectively; and
- (c) commercial sector recorded an increase in transaction volume and value of 46.8% and 7.0%, respectively.

In addition, the Selangor State Government had also introduced, amongst others, the following initiatives to encourage home ownership in Selangor:

- (a) the Smart Rent Then Buy Scheme (2STAY) initiative which will offer 2,175 units of rental houses to the low-income group which is offered under the Selangor Housing and Property Board; and

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- (b) the DanaSel Scheme, a rent-to-own programme to help citizens who do not qualify for housing loans from the banks. Under this scheme, the houses are first bought by the state government and the buyers can make monthly payments for a stipulated number of years before taking full ownerships of the properties.

(Source: Property Market Report First Half 2022, Valuation and Property Services Department in Ministry of Finance Malaysia)

Premised on the above as well as the overall outlook of the property market in Malaysia as set out in **Section 6.5(ii) of this IAL**, we consider the outlook of the Selangor property market to be on track for recovery in line with the nation's transition towards the endemic phase.

- (iv) Prospects and future plans of the Group

We are of the view that the Proposed Unincorporated Joint Venture is not detrimental to the Group upon taking into consideration the outlook of Malaysian economy and Malaysian property market, in which the Proposed Unincorporated Joint Venture will allow the Group to diversify its source of revenue to include property development activities and this may potentially enhance its future earnings and return on shareholders' funds. We also note that the Company will set up an experienced management team by recruiting the relevant personnel with requisite experience to spearhead the Group's new property development division within 3 to 6 months from the Unconditional Date.

We are of the view that the Proposed Unincorporated Joint Venture is expected to contribute positively to the future earnings of the Group and barring unforeseen circumstances, the Proposed Unincorporated Joint Venture is poised to enhance LPB's financial performance in the future.

We are of the view that the future prospects of LPB following the Proposed Unincorporated Joint Venture to be cautiously positive, after taking into consideration, amongst others, the outlook of the Malaysian economy and property market, and potential benefits as set out in Section 6.5 of this IAL.

Nonetheless, we wish to highlight that the property development business, and accordingly the Proposed Unincorporated Joint Venture, is subject to risks and uncertainties which are not within the Group's control such as change in Government policies, pandemic risk and fluctuation in construction cost. The occurrence of any of such events may impact the property development business and may adversely affect LPB's revenue and earnings to be derived from the Proposed Unincorporated Joint Venture. There shall also be no guarantee that the anticipated benefits from the Proposed Unincorporated Joint Venture will be realised by the Group in the foreseeable future.

6.6 Risk factors in relation to the Proposed Unincorporated Joint Venture

In evaluating the Proposed Unincorporated Joint Venture, the non-interested Shareholders should carefully consider the potential risks of the Proposed Unincorporated Joint Venture as set out in **Section 5 of Part A of the Circular**.

As at the LPD, the Group has not been involved in the property development business and does not have prior experience in the property development business. Success in the property development business for the Group would depend largely on the abilities, skills, experience and competency of the key personnel involved, taking into consideration the technical expertise required for the business.

Kenanga

By undertaking the Proposed Unincorporated Joint Venture, this would expose the Group to potential additional risks which amongst others, include:

- (i) risks inherent to the broad property development industry such as fluctuations in raw material costs, market demand, regulatory environment for property development; and
- (ii) risks specific to the Project such as ability to complete the Project on time, necessary approvals/permits obtained for the development, fulfilment of the conditions precedent pursuant to the Development Agreement.

It should also be noted that the industry has also been adversely impacted by the COVID-19 outbreak in the nation since early-2020, particularly on the transaction volumes and concerns on preservation of value and liquidity, due to various movement control orders implemented by the Malaysian Government as well as the closure of the country's borders, triggering loss of jobs and income of certain groups of people.

As part of the Group's mitigation action, LPB has also identified the key management personnel to be formally recruited as the Head of LPB's property division to be responsible for the Group's property development division.

While we note that measures will be taken by LPB to mitigate such risks associated with the Proposed Unincorporated Joint Venture, no assurance can be given that one or a combination of the risk factors will not occur and give rise to material adverse impact on the business and operation of the Group, its financial performance or prospects thereon.

In evaluating the Proposed Unincorporated Joint Venture, non-interested Shareholders should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolutions pertaining to the Proposed Unincorporated Joint Venture at the forthcoming EGM of LPB. Non-interested Shareholders should also note that the risk factors mentioned in the Circular and this IAL are not meant to be exhaustive.

7. EVALUATIONS OF THE PROPOSED DIVERSIFICATION

As at the LPD, the Group is not involved in any property development activities and has not undertaken any property development activities in the past.

In conjunction with the Proposed Unincorporated Joint Venture, the Company intends to seek its Shareholders' approval for the Proposed Diversification. We note that the Proposed Diversification is in line with the Group's future plan to diversify its existing business to include property development, in which the Group may also undertake other property development projects as and when the opportunities arise in the future. The Company expects the property development activities to contribute positively to the future earnings of the Group.

In addition, we believe the Company will have the necessary experience and expertise to venture into property development with the recruitment of Mr. Chris Yen Foo Lun ("**Mr. Chris Yen**") who is the current General Manager (Project Department) of the Lion Group Property Division, and backed by the well-diversified portfolio of developments of the Lion Group Property Division. The Company will be setting up an experienced management team to spearhead the Group's new property development division, which will be led by Mr. Chris Yen as the Head of LPB's Property Division. For the avoidance of doubt, the Group will still continue with the existing principal activities of the Group.

Kenanga

In view that the Proposed Diversification was undertaken in conjunction with the Proposed Unincorporated Joint Venture, we consider that our analysis on the rationale of Proposed Unincorporated Joint Venture as set out in Section 6.1 of this IAL to be applicable for the Proposed Diversification as well. Accordingly, we are of the view that the Proposed Diversification is reasonable and not detrimental to the interests of the non-interested Shareholders.

8. CONCLUSION AND RECOMMENDATION

The non-interested Shareholders should carefully consider the justifications for the Proposals based on all relevant and pertinent factors including those set out in this IAL as well as those set out in Part A of the Circular together with the accompanying appendices before voting on the ordinary resolutions pertaining to the Proposals at the forthcoming EGM of the Company.

Premised on our evaluation of the Proposals in Sections 6 and 7 of this IAL, we are of the opinion that the Proposals are fair and reasonable and not detrimental to the interests of non-interested Shareholders.

Accordingly, we recommend that the non-interested Shareholders to vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Yours faithfully,

For and on behalf of

KENANGA INVESTMENT BANK BERHAD

DATUK CHAY WAI LEONG
Group Managing Director

DATUK ROSLAN HJ TIK
Executive Director, Head
Group Investment Banking

APPENDIX I – SALIENT TERMS OF THE PUT OPTION AGREEMENT

The salient terms of the Put Option Agreement are as follows:-

STRICTLY FOR INFORMATION PURPOSES ONLY

| | | |
|-----------------------------|---|---|
| Grantor | : | TSWC |
| Put Option holder | : | LPB |
| Option Shares | : | The entire 100% equity interest in Lion Waterfront |
| Option Period | : | <p>The Put Option shall be exercisable by LPB at any time from the date the Development Agreement becomes unconditional up to the expiry of the Development Period or the Extended Development Period by serving a written notice on TSWC ("Option Notice").</p> <p>TSWC shall, within 1 month from the date of service of the Option Notice, respond in writing to the Option Notice with the following details and documents:-</p> <ul style="list-style-type: none"> (i) if TSWC so wish, nominate a substitute purchaser which shall be a company controlled by TSWC ("Substitute Shareholder"); (ii) the proposed substitute guarantor for the Development Agreement ("Substitute Guarantor"); and (iii) all relevant corporate and financial details of the entities listed therein. |
| Option Price ⁽¹⁾ | : | <p>The net assets of Lion Waterfront as at 31 March 2022 of RM1,671,131.34⁽¹⁾ + Net Payment + Interest On Net Payment (as defined below).</p> <p>"Net Payment" - Payments less Receipts⁽²⁾</p> <p>"Payments" - Any amount paid by LPB to Lion Waterfront at any point in time, including but not limited to advances and capital injection</p> <p>"Receipts" - Any applicable yields, return and/or repayment for the Payments</p> <p>"Interest On Net Payment" - The base lending rate quoted by Malayan Banking Berhad + 1% per annum calculated for each of the Payments commencing from the respective payment date less any Receipts received on any actual date until the date of Option Notice</p> <p>Notes:-</p> <ul style="list-style-type: none"> (1) The net assets of Lion Waterfront as at 31 March 2022 are taken into consideration in the computation of the Option Price as the net assets approximate the fair value of Lion Waterfront prior to the commencement of the Project. For information, the total assets of Lion Waterfront as at 31 March 2022 comprised mainly amount due from holding company as well as cash and bank balances. (2) Any profits generated from the development of the Land by Lion Waterfront and distributed as dividends and/or repayments are accounted for under the computation of "Receipts". |
| Conditions precedent | : | <p>The sale and purchase of the Option Shares shall be subject to the fulfilment of the following conditions precedent:-</p> <ul style="list-style-type: none"> (i) approval of Landasan Lumayan for TSWC or the Substitute Shareholder, to be the shareholder of Lion Waterfront; (ii) approval of Landasan Lumayan for the Substitute Guarantor; (iii) the execution of a corporate guarantee by the Substitute Guarantor; |

APPENDIX I – SALIENT TERMS OF THE PUT OPTION AGREEMENT (CONT'D)

| | | | |
|-------------------------------|---|------|--|
| Conditions precedent (cont'd) | : | (iv) | Landasan Lumayan shall be reasonably satisfied that the continuance of the development under the Development Agreement shall not be materially prejudiced by the change of the shareholding in Lion Waterfront; |
| | | (v) | approval of the board and shareholders of LPB, if required; and |
| | | (vi) | approval of the shareholders of Lion Waterfront, if required. |
| Completion period | : | | Completion of the sale and purchase of the Option Shares shall take place within 30 days from the date on which the last of the conditions precedent as set out above shall have been fulfilled (" Completion Date of POA "), whereupon:- |
| | | (i) | TSWC shall make payment or procure the Substitute Shareholder to make payment of the Option Price via delivery to LPB a banker's draft issued by a licensed Malaysian bank in favour of LPB or arrange payment by way of telegraphic transfer into the account of LPB (details of which shall be provided by LPB in good time, prior to the Completion Date of POA) or such other form of payment as may be instructed by LPB, for an amount equivalent to the Option Price; and |
| | | (ii) | LPB shall deliver to TSWC or the Substitute Shareholder:- |
| | | (a) | duly executed transfer forms for the Option Shares; |
| | | (b) | deliver or caused to be delivered to TSWC or the Substitute Shareholder the letters of resignation of such person nominated by LPB as a member of the board of directors of Lion Waterfront, which letters shall be effective, by expressed terms, on the Completion Date of POA; and |
| | | (c) | the undated resolutions of the board of directors of Lion Waterfront executed by the existing directors approving the appointment of such person(s) as shall be nominated by TSWC or the Substitute Shareholder as a director of Lion Waterfront. |

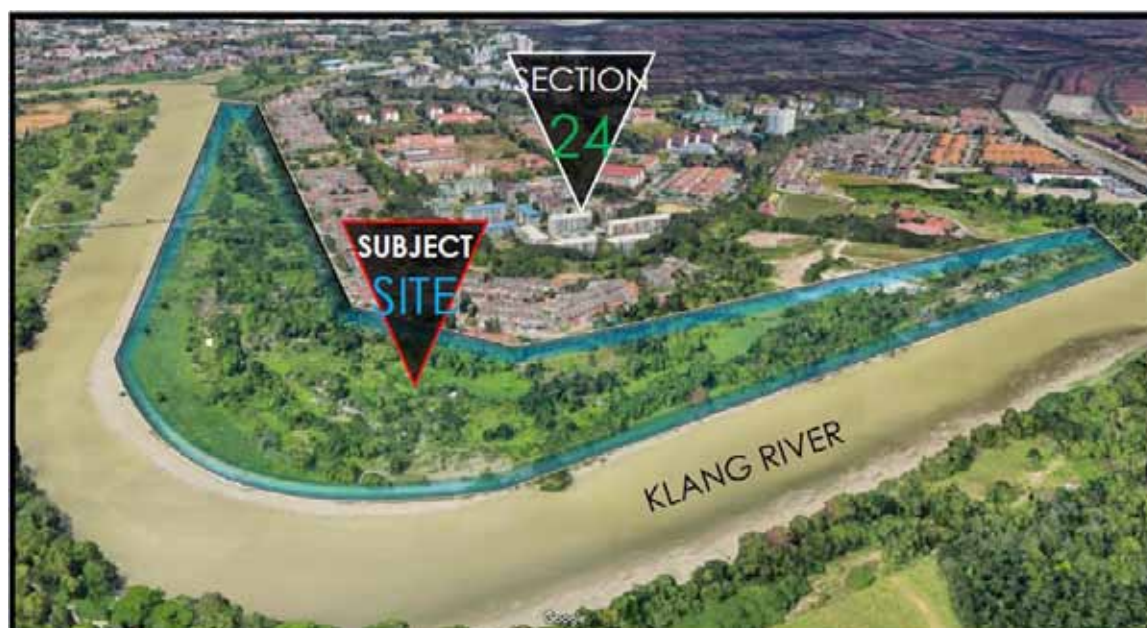
APPENDIX II – KEY FINDINGS OF MARKET STUDY REPORT

The key findings from the market study on the Land are summarised by Henry Butcher (Property Consultant) as follows:-

| | |
|----------------------|---|
| Location | : Located along the embankment of Sungai Klang and within an established residential area of Section 24, Shah Alam, Klang Valley |
| Land area | : 26.29 acres |
| Category of land use | : Residential # |
| Tenure | : Leasehold # |
| Feature | : Wide main road frontage and river frontage |
| Surroundings | : Immediate location mostly low-medium cost housing |
| Accessibility | : Can be easily accessed via the Federal Highway, Lebuhraya Kemuning Shah Alam (LKSA) and Konsortium Expressway Shah Alam Selangor (KESAS) |
| Population | : The population within 5km radius of the subject site is at 1.46 million which is amongst the top most populous district in Selangor and should have a higher demand for housing |
| Demographics | : Ethnic population within 5km radius of the subject site is mostly made up of Malay / Bumiputra at 50% followed by Chinese at 25% |
| Target market | : First time buyers and possibly up-graders |
| Competition | : Section 24 is not under intense development, could have pent up demand for affordable residential units |
| Amenities | : Many amenities and facilities are within a few minutes' drive |
| Prospect | : Possible opportunity to have some higher-end residential products to take advantage of the waterfront location, only if the riverfront is upgraded and beautified |

These are provisional subject to the alienation of the Land by the Selangor State Government. The Land will be alienated for a leasehold period not less than 99 years from the date of issuance of title.

The location of the Land is illustrated below:-





HENRY BUTCHER MALAYSIA

International Asset Consultants

Your Ref: –

Our Ref : HB/SEL/8822/08/0390/Wdy-001

August 25, 2022

The Board of Directors
M/S LION WATERFRONT SDN BHD
Level 3, Lion Office Tower
No. 1, Jalan Nagasari
50200 Kuala Lumpur

Dear Sirs,

**CERTIFICATE OF VALUATION OF A PARCEL OF POTENTIAL DEVELOPMENT
LAND HELD UNDER TITLE NO. HSD 323917, LOT NO. PT 1553 SEKSYEN 24,
BANDAR SHAH ALAM, DISTRICT OF PETALING, STATE OF SELANGOR.**

We were instructed by M/s Lion Waterfront Sdn Bhd (“Lion Waterfront”) to conduct a valuation on the abovementioned property (“Subject Property”). The full details of the valuation are included in our Valuation Report bearing reference no. HB/SEL/8822/08/0390/Wdy-001 dated August 25, 2022.

This certificate has been prepared for the purpose of submission to the Securities Commission Malaysia (“SC”) and Bursa Malaysia Securities Berhad (“Bursa Securities”) in conjunction with the proposal to form an unincorporated joint venture of a mixed residential and commercial development (“Proposed Unincorporated Joint Venture”).

The Subject Property was inspected and referenced on August 16, 2022. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. August 16, 2022.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the SC and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia and with the necessary professional responsibility and due diligence.

The basis of valuation is the Market Value (“MV”) which is defined by the Malaysian Valuation Standards to be “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

HENRY BUTCHER MALAYSIA (SEL) Sdn Bhd 199901020603 (495503-K)

Firm's Registration No.: VEPM (1) 0079/4

No. 36-1, 2 & 3, Jalan SS 15/4D, 47500 Subang Jaya, Selangor, Malaysia.

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



RICS



V0481, E1457, PM0481
V0441, E1341, PM0441

APPENDIX III – VALUATION CERTIFICATE IN RELATION TO THE LAND (CONT'D)

Terms of Reference

We noted during our inspection that part of the land which fronting onto Jalan Sawi 24/18 has been constructed with few temporary structures by the neighbourhood to use as car park sheds. Some vegetables/fruits farms were planted at the southern portion of the subject land and some temporary structures were constructed between the farms (“Temporary Structures”).

For the purpose of this valuation, we have excluded the “Temporary Structures” in arriving at the MV of the Subject Property.

The brief description of the Subject Property and our opinion of the current MV are as follows: -

Property Description

| | |
|------------------------------------|--|
| Property Type/ Interests Valued | : A parcel of potential development land |
| Address of the Subject Property | : Title No. HSD 323917, Lot No. PT 1553 Seksyen 24, Bandar Shah Alam, District of Petaling, State of Selangor. |
| Location | : The Subject Property is located at Jalan Sawi 24/18 within Seksyen 24, Shah Alam. It is approximately 29 kilometres due south-west of Kuala Lumpur City Centre and about 7 kilometres due south of Shah Alam City Centre. It is accessible from Kuala Lumpur City Centre via the Federal Highway thence exiting at the Bunga Lawang Roundabout to turn onto Persiaran Sultan. Access thereafter is via Persiaran Selangor, Persiaran Raja Muda, Persiaran Jubli Perak, Jalan Timun 24/1, Jalan Cili Merah 24/26 and finally turning onto Jalan Sawi 24/18 which leads to the Subject Property. |
| Site | : The Subject Property is almost a “V” in shaped, encompassing a provisional land area of approximately 26.29 acres. The physical terrain of the land is generally flat and lies about the level of the frontage road. |

Title Particulars

| | |
|-----------------------------|--|
| Title Nos. | : HSD 323917, PT 1553 Seksyen 24, Bandar Shah Alam, District of Petaling, State of Selangor |
| Tenure | : Leasehold 99 years |
| Total Surveyed Land Area | : 26.29 acres |
| Registered Owner | : Menteri Besar Selangor (Pemerbadanan) |
| Category of land use | : Nil |

Planning Approvals

Planning Approval : The Subject Property was zoned for mixed residential and commercial use.

Development Agreement

Lion Waterfront (the Developer) and Landasan Lumayan Sdn Bhd (the Landowner) has entered into a Development Agreement (“Agreement”) on May 18, 2022 to develop the Subject Property into a mixed development comprising residential and commercial properties (“Development”) on an unincorporated joint-venture basis between the Landowner and the Developer subject to the terms and condition of this Agreement for a development period of not more than ten (10) years (“Development Period”).

Summary of salient facts as extracted from the Agreement are as follows:

1. The Developer’s Duties

- a) To obtain the development order from the Relevant Authorities to carry out the Development, in line with the Master Layout Plan;
- b) To bear all such costs and expenses in connection with the preparation of the various application and plans to be submitted to the Relevant Authorities for approval but excluding, if applicable, any fees of the various consultants engaged by the Landowner in connection with the Development prior to the execution of this Agreement;
- c) To undertake the Development, finance, construction, administration, management, marketing and sales of the Development in accordance with the terms and conditions of this Agreement and undertake and perform all of its obligations in respect of the same including all ancillary matters and things necessary for the proper discharge of its obligations hereunder;
- d) At its own cost and expense do all things necessary to ensure that the Said Land is free of any inhabitants, occupants, structures or buildings (including, without limitation, religious structures, objects and/or shrines);
- e) At its own cost to prepare for the Review Committee quarterly reports on the progress and current status of the Development covering the development, financial and other matters associated with the Development;
- f) To complete the construction of the Development within the Development Period or before the expiry of the Extended Development Period, as the case may be; and
- g) To procure the issuance of the relevant Certificate of Completion and Compliance in respect of buildings, Units or properties within the Development.

2. The Landowner’s Duties

- a) The Landowner shall not later than six (6) months from the Agreement Date (or such other period as may be mutually agreed between the Parties) to transferred/re-alienated and registered in the name of the Landowner with the relevant category of land use and express condition(s) for the Development;

- b) The Landowner shall obtain the approval of the Relevant Authority for the surrender and re-alienation of the Said Land, consistent with the approved Development Order for the purposes of complying with the restrictions contained in the title and fulfilling the category of land use and express condition based on the layout plan as may be approved by the Relevant Authority in respect of the Development;
- c) The Landowner shall deliver vacant possession and free from Encumbrances of the Said Land within five (5) Business Days from the Unconditional Date on an as is where is basis;
- d) To sign and execute all such applications, plans, consents, instruments and documents whatsoever prepared by the professional consultants of the Developer which may be necessary or deemed expedient by the Developer for the development of the Said Land and the Development or otherwise required to be submitted to the Relevant Authorities for approval;
- e) To sign and return to the Developer all sale and purchase agreements with end-purchasers of the Units developed within the Development and such other documents in connection therewith as proprietor of the Said Land within fourteen (14) Business Days from the Landowner's receipt of the aforementioned documents; and
- f) as donee of the MBI Power of Attorney, it shall take all necessary action within its power to ensure that the MBI Power of Attorney is not revoked prior to the issuance of Form 5A in respect of the Alienation Approval of the Said Land.

3. The Landowner's Entitlement

The Landowner shall be entitled to a sum/amount representing/equivalent to twenty per cent (20%) of the Profit Before Tax of the Development ("Agreed Value") subject to a minimum payment of Ringgit Malaysia Forty Two Million and Six Hundred Thousand (RM42,600,000.00) ("Minimum Value"), whichever is higher ("Landowner's Entitlement").

The Land's Entitlement shall be paid in the following manner:-

- a. Upon execution of the Development Agreement, the Developer shall pay to the Landowner the sum of Ringgit Malaysia Three Million (RM3,000,000.00) ("First Payment"), which forms part of the Agreed Value;
- b. Subject to the First Payment being first taken into account and deducted from the Agreed Value, the Developer shall pay to the Landowner the Agreed Value in excess of the First Payment annually within two (2) months from the end of the financial year; and
- c. In the event the total amount of the Agreed Value paid to the Landowner at the expiry of the Development Period is lower than the Minimum Value, the Developer shall pay the Landowner a sum representing the different thereof, which sum shall be paid no later than two (2) months from the end of the financial year of the Developer following the expiry of the Development Period.

In the event that the Developer fails to pay the Landowner the Landowner's Entitlement within the times set out above, the Developer shall pay late payment interest amounting to eight per cent (8%) per annum calculated on the sum unpaid from the date the sum is due until full payment of the outstanding sum of the Landowner's Entitlement is made.

APPENDIX III – VALUATION CERTIFICATE IN RELATION TO THE LAND (CONT'D)

4. Master Layout Plan

The Developer has submitted to the Landowner the conceptual plan detailing the design concept for the development of the Subject Property including the development mix and the layout of the various components, the layout plans, and other structures proposed to be erected on the Subject Property ("Master Layout Plan"). The Landowner has in principle agreed to the Master Layout Plan.

The land use component as per the Master Layout Plan are as follow:-

| Land use Component | Unit | Percentage | Acre | Percentage |
|---------------------------------------|--------------|---------------|--------------|---------------|
| <u>Residential</u> | | | | |
| Apartment 1 | 290 | 14.80 | 2.63 | 10.00 |
| Apartment 2 | 392 | 20.01 | 3.56 | 13.54 |
| Apartment 3 | 424 | 21.64 | 3.85 | 14.64 |
| Townvilla | 200 | 10.20 | 7.00 | 26.63 |
| Rumah Selangorku | 653 | 33.33 | 3.57 | 13.57 |
| Sub-total | 1,959 | 100.00 | 20.61 | 78.39 |
| <u>Commercial</u> | | | | |
| Commercial Plot | 1 | - | 2.47 | 9.40 |
| Sub-total | 1 | - | 2.47 | 9.40 |
| <u>Facilities</u> | | | | |
| Recreational Park 1 | 1 | - | 1.25 | 4.75 |
| Recreational Park 2 | 1 | - | 0.30 | 1.14 |
| Sub-total | 2 | - | 1.55 | 5.89 |
| <u>Infrastructure</u> | | | | |
| Water Tank | 1 | - | 0.75 | 2.85 |
| Serviced Route 20' | 1 | - | 0.14 | 0.53 |
| Drainage Reservation 50' | 1 | - | 0.20 | 0.76 |
| Retention Pond | 1 | - | 0.51 | 1.94 |
| Road | 1 | - | 0.06 | 0.23 |
| Sub-total | 5 | - | 1.66 | 6.31 |
| Grand Total | 1,967 | - | 26.29 | 100.00 |
| <u>Other</u> | | | | |
| Flood Mitigation Reservation 15 meter | 2 | - | 5.35 | - |
| Green Area | 3 | - | 6.22 | - |
| Jetty and Water Activities | 1 | - | 0.65 | - |
| 66' Road | 1 | - | 6.75 | - |
| Sub-total | 7 | - | 18.97 | - |

APPENDIX III – VALUATION CERTIFICATE IN RELATION TO THE LAND (CONT'D)**Valuation Methodology**

We have adopted the Comparison Approach in formulating our opinion of the current MV of the Subject Property. Only one (1) method has been adopted in valuing the Subject Property as in our opinion, the Comparison Approach is the most appropriate method of valuation to assess the MV of the Subject Property as the Subject Property consists a parcel of vacant potential development land, therefore other methods of valuation are not suitable.

The Comparison Approach is the market approach of comparing the Subject Property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing the properties, due consideration is given to factors such as location, size, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

In arriving at our opinion of value, we have taken into consideration amongst others, the following transactions which were extracted from Department of Property Valuation and Services (JPPH): -

| | Comparable 1 | Comparable 2 | Comparable 3 |
|---|--|---|---|
| Property | GRN 20069, Lot 10459, Mukim & District of Klang, State of Selangor | GRN 311673, Lot 76869, Mukim of Damansara, District of Petaling, State of Selangor | GM 1419, Lot 2399, Mukim & District of Klang, State of Selangor |
| Land Area | 10.0496 acres | 18.1979 acres | 4.5002 acres |
| Type | Potential development land zoned for residential | Residential land | Potential development land zoned for residential |
| Tenure | Freehold | Freehold | Freehold |
| Date of Transaction | May 05, 2020 | July 10, 2020 | September 10, 2020 |
| Consideration | RM15,760,080.00 | RM34,500,000.00 | RM11,761,200.00 |
| Land Value (per square foot) | RM36.00 | RM43.52 | RM60.00 |
| Adjusted Land Value (per square foot) | RM27.00 | RM28.29 | RM27.00 |
| Remarks on Adjusted Value | Adjustments made on size, tenure and adverse feature – next to the river factor | Adjustments made on location, terrain, size, tenure, land use and adverse feature – next to the river & transmission line factor | Adjustments made on size, tenure, development component and adverse feature – next to the river factor |

APPENDIX III – VALUATION CERTIFICATE IN RELATION TO THE LAND (CONT'D)

We have adopted RM27.00 per square foot (derived from Comparable 1) for the valuation of the land calculation based on the following facts: -

- RM27.00 is close to the average adjusted land value which is RM27.43.
- We are of the opinion that Comparable 1 is the best evidence as the Comparable 1 is a parcel of development land zoned for residential which is similar to the Subject Property.
- The Comparable 2 is a parcel of sloppy residential land with thick undergrowth and near to the transmission line. Therefore, more adjustments are needed to be made, reducing the accuracy of value indicated by Comparable 2.
- Comparable 3 is a parcel of development land zoned for residential with the land area of 4.5002 acres which is about six (6) times smaller than Subject Property and can be exempted to build affordable houses. Therefore, more adjustments are needed to be made, reducing the accuracy of value indicated by Comparable 3.

Present Value Of The Agreed Value

According to the Development Agreement dated May 18, 2022, the Developer shall pay to the Landowner for the Landowner's Entitlement at the Agreed Value with the Minimum Value of RM42,600,000.00.

The Landowner's Entitlement forecast projected cumulative payment provided by Lion Waterfront are as follow:-

| Payment No. | Amount | Date |
|-------------------------|------------------------|---------------|
| Upfront Payment – No. 1 | RM3,000,000.00 | May 2022 |
| Payment – No. 2 | RM8,258,000.00 | May 2025 |
| Payment – No. 3 | RM6,954,000.00 | June 2025 |
| Payment – No. 4 | RM869,000.00 | October 2025 |
| Payment – No. 5 | RM4,346,000.00 | October 2026 |
| Payment – No. 6 | RM6,085,000.00 | March 2028 |
| Payment – No. 7 | RM6,085,000.00 | July 2029 |
| Payment – No. 8 | RM4,346,000.00 | December 2031 |
| Payment – No. 9 | RM2,657,000.00 | June 2032 |
| Total | RM42,600,000.00 | |

**The date of payment is within two (2) months from the end of the financial year. For the purpose of this valuation, we assume the payment will be materialise on the last date of February every year.*

The discount rate for Present Value is adopted at 7.0%. This rate is in tandem with the financing cost based on our enquiries with financial institutions.

The Present Value of the Minimum Value as at the date of valuation is derived at RM29,995,906.10.

APPENDIX III – VALUATION CERTIFICATE IN RELATION TO THE LAND (CONT'D)

Conclusion

Taking into consideration all the relevant factors, we are of the opinion that the current MV of the unencumbered interest in the Subject Property with the benefits of vacant possession is:-

MV - RM30,900,000.00 (Ringgit Malaysia: Thirty Million and Nine Hundred Thousand Only)

Yours faithfully,

HENRY BUTCHER MALAYSIA (SEL) SDN BHD

DATUK SRI TEW KOK HUAT

B.Surv., MRISM, APEPS
Registered Valuer (V-481)



1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT AND CONFLICT OF INTEREST**2.1 Mercury Securities**

Mercury Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Mercury Securities confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals.

2.2 Kenanga IB

Kenanga IB, being the Independent Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Kenanga IB confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Independent Adviser for the Proposals.

2.3 Henry Butcher (Property Consultant)

Henry Butcher Malaysia Solutions Sdn Bhd, being the independent property consultant engaged to conduct a market study on the Land and to assess the Project based on the Company's preliminary conceptual plan, has given and has not subsequently withdrawn its written consent to the inclusion of its name, extracts of its Market Study Report and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Henry Butcher (Property Consultant) confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the independent property consultant for the Project.

2.4 Henry Butcher (Valuer)

Henry Butcher Malaysia (Sel) Sdn Bhd, being the independent property valuer engaged to conduct a valuation to ascertain the market value of the Land as a parcel of vacant potential development land, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the valuation certificate as set out in Appendix III of this Circular and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Henry Butcher (Valuer) confirms that it is not aware of any conflict of interest which exists or is likely to exist in its role as the independent property valuer in relation to the Land.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**Material commitments**

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments contracted or known to be contracted by the Group, which upon becoming enforceable, may have a material impact on the financial results or position of the Group:

| | RM'000 |
|---|---------------|
| (a) Approved and contracted for purchase of land | 2,600 |
| (b) Approved but not contracted for land registration fee | 3,287 |

Contingent liabilities

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the financial results or position of the Group.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection by the Shareholders at the Registered Office of the Company at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) the Constitution of the Company;
- (ii) the audited consolidated financial statements of the Company for the FYE 30 June 2020 and the 18-month FPE 31 December 2021 as well as the latest unaudited consolidated financial statements of the Company for the 6-month FPE 30 June 2022;
- (iii) the Development Agreement, the CG and the PA;
- (iv) the Put Option Agreement;
- (v) the Market Study Report;
- (vi) the valuation certificate as set out in Appendix III of this Circular and the Valuation Report from Henry Butcher (Valuer) in relation to the Land; and
- (vii) the letters of consent and conflict of interest as referred to in Section 2 of Appendix IV of this Circular.



LION POSIM BERHAD

Registration No: 198201002310 (82056-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (“**EGM**”) of Lion Posim Berhad (“**LPB**” or the “**Company**”) will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Friday, 2 December 2022 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without any modifications:

ORDINARY RESOLUTION 1 - PROPOSED UNINCORPORATED JOINT VENTURE

THAT subject to the passing of Ordinary Resolution 2, and all requisite approvals of the relevant authorities and/or parties being obtained, approval be and is hereby given to Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd) (“**Lion Waterfront**”), a wholly-owned subsidiary of the Company, to form an unincorporated joint venture with Landasan Lumayan Sdn Bhd (“**Landasan Lumayan**”), a wholly-owned subsidiary of Menteri Besar Selangor (Pemerbadanan), to undertake a mixed residential and commercial development on a parcel of land to be alienated by the Selangor State Government to Landasan Lumayan measuring approximately 26.29 acres in Section 24, Shah Alam, Selangor in accordance to the terms and conditions as set out in the development agreement dated 18 May 2022 including the provisions of the corporate guarantee by the Company for the performance by Lion Waterfront (“**Proposed Unincorporated Joint Venture**”).

AND THAT the Directors be and are hereby empowered and authorised to do all such acts, deeds, things and execute all necessary documents to give full effect to and complete the Proposed Unincorporated Joint Venture with full power to assent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Unincorporated Joint Venture or as the Directors may deem necessary or expedient; and deal with all such matters and to take such steps and do all acts and things in any manner as the Directors may deem necessary or expedient to implement, finalise and give full effect to and complete the Proposed Unincorporated Joint Venture.

ORDINARY RESOLUTION 2 - PROPOSED DIVERSIFICATION

THAT subject to the passing of Ordinary Resolution 1, approval be and is hereby given to the Company to implement the diversification of the existing businesses of LPB and its subsidiaries to include property development (“**Proposed Diversification**”).

AND THAT the Directors be and are hereby empowered and authorised to do all such acts, deeds and things to execute all necessary documents to give full effect to and implement the Proposed Diversification with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant authorities or deemed necessary by the Directors.

BY ORDER OF THE BOARD

WONG PHOOI LIN (MAICSA 7013812)
SSM PC No.: 202008002964

KONG SIEW FOON (MAICSA 7044962)
SSM PC No.: 202008002081

Secretaries

Kuala Lumpur
17 November 2022

Notes:-

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 28 November 2022 shall be eligible to attend the Meeting.*
2. *A member entitled to attend and vote at the Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
3. *If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.*
4. *The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.*
7. *Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.*



LION POSIM BERHAD
Registration No: 198201002310 (82056-X)
(Incorporated in Malaysia)

CDS ACCOUNT NUMBER

| | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
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FORM OF PROXY

I/We _____

NRIC/Passport/Registration No. _____

of _____

being a member of **LION POSIM BERHAD**, hereby appoint _____

NRIC/Passport No. _____

of _____

or failing whom, _____

NRIC/Passport No. _____

of _____

as my/our proxy to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company ("**EGM**") to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Friday, 2 December 2022 at 3.00 p.m. and at any adjournment thereof.

| ORDINARY RESOLUTIONS | FOR | AGAINST |
|--|-----|---------|
| 1. Proposed Unincorporated Joint Venture | | |
| 2. Proposed Diversification | | |

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this _____ day of _____ 2022

No. of shares : _____ Signed : _____

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 28 November 2022 shall be eligible to attend at the Meeting.*
- A member entitled to attend and vote at the Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
- If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.*
- The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
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- Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.*



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
LION POSIM BERHAD
Secretarial Communications Sdn Bhd
Level 13, Lion Office Tower
No. 1 Jalan Nagasari
50200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

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