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D.B.E. GURNEY RESOURCES BERHAD
(Company No.: 535763-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PART A

PROPOSED PARTICIPATION IN THE DEVELOPMENT AND ASSUMPTION OF THE DEVELOPMENT RIGHTS TO AN ONGOING DEVELOPMENT PROJECT OF 780 UNITS OF APARTMENTS KNOWN AS PANGSAPURI SERI ISKANDAR FOR A TOTAL CASH CONSIDERATION OF RM3,800,000 ("PROPOSAL")

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF D.B.E. GURNEY RESOURCES BERHAD IN RELATION TO THE PROPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Advisers for Part A



AmInvestment Bank

AMINVESTMENT BANK BERHAD
(Company No. 23742-V)
(A Participating Organisation of Bursa
Malaysia Securities Berhad)

Independent Adviser for Part B



MERCURY SECURITIES SDN BHD
(Company No. 113193-W)
(A Participating Organisation of Bursa
Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of the Company to be held at Intan 1, The Orient Star Resort Lumut, Lot 203 & 366, Jalan Iskandar Shah, 32200 Lumut, Perak Darul Ridzuan, on Monday, 27 May 2019 at 11:30 a.m. or at any adjournment thereof, for the purpose of considering the Proposal, together with the Form of Proxy, are enclosed in this Circular.

The Form of Proxy should be completed and deposited at the Registered Office of the Company at No. 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang not less than forty-eight (48) hours before the time and date fixed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude a shareholder from attending and voting in person at the EGM should the shareholder subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Saturday, 25 May 2019 at 11:30 a.m.
Date and time of the EGM : Monday, 27 May 2019 at 11:30 a.m.

This Circular is dated 10 April 2019

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
AmInvestment Bank	:	AmInvestment Bank Berhad (Company No. 23742-V)
Apartments	:	780 units of apartments constructed or to be constructed on the Land under the Project
Balance Landowner's Entitlement	:	The remainder of the Landowner's Entitlement amounting to RM3,700,000 payable by DBE to Yik Wang
Board	:	Board of Directors of DBE
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Circular	:	This circular dated 10 April 2019 in relation to the Proposal
CH Williams or Valuer	:	CH Williams Talhar & Wong Sdn Bhd (Company No. 18149-U)
Computation Date	:	30 September 2018, being the cut-off date as agreed between the parties in the DRA for the purpose of computing the receivables to be transferred to and the liabilities to be assumed by DBE Development arising from the assumption of the Development Rights under the Proposal
DBE or Company	:	D.B.E. Gurney Resources Berhad (Company No. 535763-A)
DBE Development	:	DBE Development Sdn Bhd (Company No. 1266179-W), a wholly-owned subsidiary of the Company
DBE Group or Group	:	DBE and its subsidiaries, collectively
DBE Shares	:	Ordinary shares of DBE
DDJC	:	Dato' Doh Jee Chai
DDJM	:	Dato' Doh Jee Ming
DDTL	:	Dato' Doh Tee Leong
Development Rights	:	The sole and exclusive rights to construct, develop and deal with rights and entitlements in and to the Project in accordance to the terms of the relevant approvals by the appropriate authorities and the terms and conditions of the DRA, subject to the assumption and bearing of all the debt, liabilities and obligations of Yik Wang in respect of the Project after the Computation Date
Director(s)	:	A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, within the meaning of Section 2 of the Act
Doh Properties	:	Doh Properties Holdings Sdn Bhd (Company No. 1165829-P)
DRA	:	The development rights agreement dated 30 November 2018 entered into between DBE Development and Yik Wang for the Proposal

DEFINITIONS (CONT'D)

EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
FYE	:	Financial year ended/ending, as the case may be
IAL	:	Independent advice letter by Mercury Securities dated 10 April 2019 to the non-interested Shareholders in relation to the Proposal as set out in Part B of this Circular
Initial Announcement	:	Initial announcement dated 30 November 2018 in relation to the Proposal
Independent Adviser or Mercury Securities	:	Mercury Securities Sdn Bhd (Company No. 113193-W), being the independent adviser appointed by the Board on 11 January 2019 to advise the non-interested Directors and non-interested Shareholders for the Proposal
Interested Directors	:	DDJM and DDTL, collectively
Land	:	A parcel of leasehold land held under PN 405295 Lot 15845, Bandar Seri Iskandar, Mukim Bota, Daerah Perak Tengah, Negeri Perak Darul Ridzuan, where Yik Wang is the registered owner
Landowner's Entitlement	:	A total cash consideration of RM3,800,000 payable by DBE to Yik Wang pursuant to the Proposal
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	1 April 2019, being the latest practicable date prior to the printing of this Circular
NA	:	Net assets
Project	:	The on-going development project being carried out on the Land comprising of the Apartments together with the infrastructures constructed or to be constructed on the Land known as "Pangsapuri Seri Iskandar"
Proposal	:	Proposed participation in the development and assumption of the development rights to the Project for a total cash consideration of RM3,800,000
RM and sen	:	Ringgit Malaysia and sen respectively
Setia Awan	:	Setia Awan Plantation Sdn Bhd (Company No. 646045-X), being the holding company of Doh Properties
Shareholders	:	Registered holders of DBE Shares
Supplemental DRA	:	Supplemental agreement dated 11 January 2019 entered into between DBE Development and Yik Wang for the Proposal
Vesting Date	:	The last day of the month immediately preceding the date the DRA becomes unconditional, or such other date as may be mutually agreed upon between the parties on which the vesting of the Development Rights by Yik Wang to DBE Development shall take place

DEFINITIONS (CONT'D)

- Vesting Sum** : Sum of RM100,000 payable in cash by DBE Development to Yik Wang as part of the payment of the Landowner's Entitlement
- VWAP** : Volume weighted average market price
- Yik Wang** : Yik Wang Development Sdn Bhd (Company No. 407218-M)

References to "we", "us", "our" and "ourselves" are to the Company, and where the context otherwise requires, our subsidiaries. All references to "you" are to the Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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PART A

**LETTER FROM THE BOARD OF DIRECTORS TO THE SHAREHOLDERS IN RELATION TO THE
PROPOSAL**



D.B.E. GURNEY RESOURCES BERHAD
(Company No.: 535763-A)
(Incorporated in Malaysia)

Registered Office:

No. 54-4-8, Wisma Sri Mata
Jalan Van Praagh
11600 Penang

10 April 2019

Board of Directors

Dato' Doh Tee Leong (*Non-Independent Non-Executive Chairman*)
Dato' Ding Seng Huat (*Group Managing Director*)
Dato' Doh Jee Ming (*Executive Director*)
YM Ungku A Razak Bin Ungku A Rahman (*Independent Non-Executive Director*)
Sandeep Singh A/L Gurbachan Singh (*Independent Non-Executive Director*)
Foo Kwai Kheng (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir/Madam,

PROPOSAL

1. INTRODUCTION

The Board had, on 30 November 2018, announced that DBE Development had on even date, entered into the DRA with Yik Wang to participate in the development and assume the Development Rights of the Project. It was announced in the Initial Announcement that the highest percentage ratio applicable to the Proposal based on the Landowner's Entitlement pursuant to Paragraph 10.02(g)(iii) of the Listing Requirements is approximately 4.43%.

On 11 January 2019, AmlInvestment Bank had, on behalf of the Board, announced that DBE Development had on even date, entered into a Supplemental DRA with Yik Wang to revise certain terms and conditions contained in the DRA.

As the Proposal is deemed to be a business arrangement pursuant to the Listing Requirements, the highest percentage ratio applicable to the Proposal pursuant to Paragraph 10.02(g)(vii) of the Listing Requirements is approximately 32.21% ("**Revised Percentage Ratio**").

The Proposal is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of the Company and persons connected to them in respect of the Proposal as set out in Section 7 of Part A of this Circular.

Pursuant to the Revised Percentage Ratio and the Proposal being deemed as a related party transaction, DBE is required to:-

- (i) appoint a main adviser and an independent adviser;
- (ii) submit to Bursa Securities the valuation report in respect of the Project prepared by the Valuer; and
- (iii) obtain the approval of its non-interested Shareholders at an EGM to be convened for the Proposal.

Accordingly, AmInvestment Bank had been appointed on 11 January 2019 as the Principal Adviser to the Company for the Proposal. In addition, the Board had, on 11 January 2019, appointed Mercury Securities as the Independent Adviser to provide the non-interested Directors and non-interested Shareholders in respect of the Proposal with:-

- (i) an opinion as to whether the Proposal is fair and reasonable and whether the Proposal is to the detriment of the non-interested Shareholders; and
- (ii) recommendation as to whether the non-interested Shareholders should vote for or against the resolution pertaining to the Proposal to be tabled at the forthcoming EGM.

On 11 February 2019, AmInvestment Bank had, on behalf of the Board, announced that the valuation report prepared by CH Williams for the Proposal had been submitted to Bursa Securities.

Further details of the Proposal are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT DETAILS OF THE PROPOSAL AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSAL TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR (TOGETHER WITH THE IAL AS SET OUT UNDER PART B OF THIS CIRCULAR) BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSAL

2.1 Details of the Proposal

On 30 November 2018, DBE Development and Yik Wang entered into the DRA, whereby DBE Development shall participate and Yik Wang shall agree for DBE Development to participate in the development of the Project. DBE Development shall have the sole and exclusive rights to construct, develop and deal with rights and entitlements of the Project commencing from the Computation Date, in accordance to the terms and conditions of the DRA, subject to the assumption and bearing of all debts, liabilities, duties and obligations of Yik Wang in respect of the Project after the Computation Date ("**Post-Computation Date Liabilities**").

The Development Rights shall be vested by Yik Wang to DBE Development:-

- (i) free from any encumbrances;
- (ii) subject to the rights and interests of the End Purchasers (as defined herein) and/or the End Financiers (as defined herein) under the Apartment SPAs (as defined herein); and

- (iii) on the basis that each of the warranties, representations and undertakings of Yik Wang (collectively, "**Warranties**") are true and accurate in all respects.

The participation of DBE Development in the development of the Project and the vesting of the Development Rights by Yik Wang to DBE Development shall be subject to the payment of the Landowner's Entitlement which shall be satisfied in the following manner:-

- (i) On the Vesting Date, DBE Development shall pay the Vesting Sum of RM100,000 to Yik Wang; and
- (ii) The Balance Landowner's Entitlement of RM3,700,000 shall be paid by DBE Development to Yik Wang within a period of 6 months following the Vesting Date, or if mutually agreed by the parties in writing, an extended date of 12 months following the Vesting Date. The Balance Landowner's Entitlement shall be constituted as an amount due from DBE Development to Yik Wang following the Vesting Date.

As at the Computation Date, Yik Wang has:-

- (i) sold 718 units of Apartments to various end-purchasers ("**End Purchasers**") and Yik Wang has entered into the sale and purchase agreements with the End Purchasers in respect of the sale and purchase of the relevant Apartments ("**Apartment SPAs**") and loan agreements with the respective End-Financiers (as defined herein) ("**Sold Units**");
- (ii) received reservations from potential End Purchasers for 60 units of Apartments for which the End Purchasers have signed the relevant booking form but are pending execution of the relevant Apartment SPAs with Yik Wang and/or loan agreement ("**Booked Units**");
- (iii) furnished letters of undertaking ("**Developer's Letters of Undertaking**") to the respective end-financiers who have granted loan facilities to the relevant End Purchasers for the purpose of financing the purchase of the Apartments ("**End Financiers**");
- (iv) appointed a team of professionals including, amongst others, architects, engineers, quantity surveyors, licensed land surveyors, project managers, project architect, project coordinators, contractors, sub-contractors, workmen, other specialist consultants and other professional advisers in relation to the Project ("**Professional Team**"); and
- (v) entered into contract(s)/agreement(s) and/or granted letter(s) of award to the Professional Team in respect of the demolition works, building works, designing, planning, constructing, completing all infrastructure, buildings, structures and property and other work to be carried out in connection with the implementation of the Project ("**Works**").

2.2 Details of the Project

On 12 January 2016, Yik Wang has obtained the planning permission issued by the Perak Tengah District Council in order to undertake the Project ("**Planning Permission**"), which comprises the development and construction of the following:-

- (i) 2 blocks of 8-storey building with total 358 units of Apartments (Block A and Block C);
- (ii) 2 blocks of 8-storey building with total 422 units of Apartments (Block B and Block D);
- (iii) 1 floor of multipurpose hall which comprises prayer room, toilets and kindergarten;
- (iv) 2 bin centers; and
- (v) 1 electrical substation.

Subsequently, Yik Wang has received the approval from the Perak Tengah District Council on the layout plan of the Project on 12 January 2016 (“**Layout Plan**”) and building plans of the Project on 27 January 2016 (“**Building Plans**”).

As at the Computation Date, 718 units of Apartments have been sold to the End-Purchasers while bookings have been made for 60 units of Apartment. The development of the Project is approximately 52% completed as at the Computation Date. Further information on the Project, is set out below:-

Criteria	Details
Project Name	: Pangsapuri Seri Iskandar
Type of Development	: Residential development
Residual Gross Development Value (“ GDV ”) of the Project ⁽¹⁾	: RM47.4 million
Residual Developer’s Costs ⁽²⁾	: RM38.2 million
Landowner’s Entitlement as per DRA ⁽³⁾	: RM3.8 million
Estimated net development profit to DBE ⁽³⁾	: RM5.4 million
Commencement date of development	: 1 September 2016
Expected completion date of development	: End of 2020

Notes:-

- (1) *Being the remaining GDV attributable to DBE Development in relation to the Project based on the Computation Date. For information purpose, the full GDV for the development is RM93.7 million.*
- (2) *The residual developer’s costs of RM38.2 million represents costs to be incurred by DBE as the developer for the Project, which include amongst others, construction cost, advertising, sales & marketing, professional fees, project management fees and contingencies. For information purpose, the full GDC for the development is RM78.1 million. However, it should be noted that in addition to the residual developer’s costs, the Valuer in determining the value of the Project had also included a developer’s profit and risk of RM4.7 million, computed based on 10% of the Project’s residual GDV, as part of the Project’s gross development cost (“**GDC**”).*
- (3) *The Landowner’s Entitlement to be paid to Yik Wang was arrived after taking into consideration the indicative market value of the Project of RM3,800,000 as set out in the valuation certificate by CH Williams. The estimated net development profit is the estimated gross profit to be recognised by DBE from the undertaking of the Proposal after deducting the Landowner’s Entitlement.*

As at the LPD, all 780 units of the Apartments have been sold to the End-Purchasers. The development of the Project is approximately 65% completed as at the LPD.

2.3 Details of the Land

The Land is a parcel of leasehold land held under PN 405295, Lot 15845, Bandar Seri Iskandar, Daerah Perak Tengah, Negeri Perak Darul Ridzuan measuring approximately 40,470 square metres.

The Land is located off Ipoh-Lumut Highway and to the west of Taman Farmaseutikal within the Seri Iskandar township. It is approximately 40 kilometres by road to the south-west of Ipoh town centre and approximately 1 kilometre by road to the north of Seri Iskandar town centre.

It is easily accessible from the Seri Iskandar town centre via Ipoh-Lumut Highway, turning onto Jalan Teknologi 1 and thereafter onto an unnamed service road leading to the Land. The immediate surroundings of the Land have been developed mainly with mixed residential, commercial, government buildings and institutional development.

Prominent landmarks located to the immediate west and south-west of the Land are Perak Tengah District Police Headquarters, Majlis Daerah Perak Tengah and Pejabat Daerah dan Tanah Perak Tengah whilst Taman Farmaseutikal, a small sized industrial park, is located to the east of the Land.

Notable on-going housing developments located within the locality include Puncak Iskandar, which is located to the north-west of the Land. Upon completion, it will comprise terraced, semi-detached and detached houses and single-storey shops. Another comprehensive on-going housing development known as Bandar Universiti Lakeville which offers terraced, semi-detached houses and shophouses is located to the southeast of the Land.

Other housing schemes located across Ipoh-Lumut Highway includes Iskandar Bistari and Iskandar Perdana which are located to the south whilst Taman Maju and Bandar Universiti are located to the east and south-east of the Land respectively.

Prominent institutions such as Petronas University of Technology (UTP) and MARA University of Technology Perak (UiTM) are located to the north-east and south-west of the Land.

Seri Iskandar Business Centre (SIBC), a commercial development comprising double and three storeys shop offices is situated to the south-west across Ipoh-Lumut highway.

Further information on the Land are as follows:-

Criteria	Details
Category of Land Use	: Building
Terms of Tenure	: 99 years expiring on 2 March 2113
Land Area	: 40,470 square metres
Registered Owner	: Yik Wang
Existing Use	: Ongoing development of the Project
Encumbrances	: Nil

2.4 Salient terms of the DRA

(i) Participation in the development of the Project and assumption of the Development Rights

- (a) Subject to the terms and conditions contained in the DRA, DBE Development shall participate and Yik Wang shall agree for DBE Development to participate in the development of the Project.
- (b) DBE Development shall assume and Yik Wang shall irrevocably vest in, confer upon and grant and assign and transfer to DBE Development the Development Rights with immediate effect from the Vesting Date.
- (c) The Development Rights shall be vested by Yik Wang and assumed by DBE Development:-
 - (1) free from any encumbrances;

- (2) subject to the rights and interests of the End Purchasers and/or the End Financiers under the sale and purchase agreements entered into between Yik Wang and the End Purchasers in respect of the Apartment SPAs; and
- (3) on the basis that each of the Warranties are true and accurate in all respects.
- (d) The parties agree that simultaneous with the execution of the DRA, Yik Wang shall execute a power of attorney in the form and substance prescribed in the DRA ("**Power of Attorney**") and deposit the same with the solicitors of DBE Development to hold in escrow and deal with in accordance with Section 2.4(iii)(b) of this Circular.

(ii) Landowner's Entitlement and payment

The participation of DBE Development in the development of the Project and the vesting by Yik Wang to DBE Development of the Development Rights shall be subject to the payment by DBE Development of the Landowner's Entitlement, which shall be satisfied by DBE Development in the following manner:-

- (a) On the Vesting Date, DBE Development shall pay the Vesting Sum to Yik Wang; and
- (b) The Balance Landowner's Entitlement shall be paid by DBE Development to Yik Wang within a period of 6 months following the Vesting Date, or if mutually agreed by the parties in writing an extended date of 12 months following the Vesting Date, as an amount due and owing by DBE Development to Yik Wang following the Vesting Date.

(iii) Vesting Date

On the Vesting Date:-

- (a) Yik Wang:-
 - (1) irrevocably covenants and agrees that DBE Development shall be vested and conferred with and granted with the Development Rights;
 - (2) shall deliver all other documents which it is incumbent upon Yik Wang to produce and/or sign documents as necessary to enable DBE Development to receive and assume conduct and control of the Development Rights (if any);
 - (3) shall deliver to DBE Development an extract or certified true copy of the resolution of Yik Wang appointing both the duly authorised representatives of Yik Wang and DBE Development as the joint signatories of the housing development account in respect of the Project under the Housing Development (Housing Development Account) Regulations, 1991 ("**HDA Account**") and the bank account designated by the parties for the purpose of depositing all monies withdrawn from the HDA Accounts ("**Designated Account**"); and
 - (4) shall deliver to DBE Development a copy of each of the Apartment SPAs, the Developer's Letters of Undertaking, all other relevant contract(s), agreement(s), undertaking(s) and other document(s) in respect of the carrying out of the Works, the Planning Permission, the Layout Plan, the Building Plans, any other approvals in respect of the Project, and all other books, records and project accounts and statements in respect of the Project, complete and up-to-date (whether stored in writing or on electronic media).

- (b) In exchange for Yik Wang's compliance of the obligations and delivery of the documents referred to in Section 2.4(iii)(a) above, DBE Development shall make the payment of the Vesting Sum pursuant to Section 2.4(ii)(a) of this Circular.
- (c) The solicitors of DBE Development are authorised, upon or as soon as may be possible after the vesting by Yik Wang to DBE Development of the Development Rights, to cause the Power of Attorney to be dated and registered at the registry of the High Court of Malaya and in the books of any company or corporation or land office/registry or elsewhere as may be necessary or desirable.

(iv) Obligations of the parties upon vesting of the Development Rights

(a) DBE Development's obligation

Upon vesting of the Development Rights by Yik Wang to DBE Development, DBE Development shall have the full right and discretion to exercise and deal with the Development Rights and Project in succession to Yik Wang, and DBE Development shall undertake amongst others the following obligations:-

- (1) to administer, carry out and complete the Project and manage all development issues arising from or relating to the Project;
- (2) to manage all legal and financial matters arising from or relating to the Project; and
- (3) whether by itself or through its Professional Team or its employees, officers, agents or representatives, to carry out the Works on the Land and at and on such other areas within the Land which are ancillary to the Works.

(b) Yik Wang's obligation

Upon vesting of the Development Rights by Yik Wang to DBE Development, in view that the Planning Permission, the Layout Plan and the Building Plans have been obtained in the name of Yik Wang and shall continue to be held and maintained in the name of Yik Wang following the Vesting Date, Yik Wang shall to the extent that such rights are not wholly vested in DBE Development and are not fully exercisable by DBE Development, hold the entire rights and benefit of the Project following the Vesting Date for DBE Development and undertake the following obligations:-

- (1) to maintain the Planning Permission, the Layout Plan, the Building Plans, and any other approvals in respect of the Project ("**Development Approvals**") and their validity;
- (2) not to make any changes to the nature of the Project, including the Development Approvals, without the instruction or approval in writing of DBE Development;
- (3) to observe and comply with all relevant laws, regulations, statutes and by-laws for the time being in force affecting the Project or construction to be carried out on the Land which are to be complied with on its part and in this respect, it shall indemnify and keep indemnified DBE Development against any fines, penalties, fees and charges imposed upon DBE Development as a result of infringement, breach or non-compliance of any regulations, statutes and by-laws by Yik Wang; and

- (4) to maintain in full force and effect all other benefits, rights, interests, permits, licences, consents, approvals, undertakings and rights and benefits used, enjoyed, conferred or exercised by Yik Wang in connection with the Project.

(v) Yik Wang's rights to terminate

Yik Wang shall be entitled to issue a notice of termination to DBE Development if, at any time prior to the full payment of the Landowner's Entitlement:-

- (a) DBE Development commits any continuing or material breach of any of its obligations under the DRA which:-
 - (1) is incapable of remedy; or
 - (2) if capable of remedy, is not remedied within 14 days of it being given notice to do so;
- (b) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of DBE Development;
- (c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of DBE Development;
- (d) DBE Development becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or make a general assignment for the benefit of its creditors; or
- (e) DBE Development ceases or threatens to cease to carry on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the DRA).

Following the giving of a notice of termination by Yik Wang:-

- (a) the Vesting Sum shall be forfeited absolutely in favour of Yik Wang;
- (b) Yik Wang shall, within 14 days after the notice of termination:-
 - (1) return to DBE Development or DBE Development's solicitors all documents, if any, delivered to it by or on behalf of DBE Development; and
 - (2) return, refund and repay to DBE Development or DBE Development's solicitors any and all monies free of interest received by it towards account of the Balance Landowner's Entitlement;
- (c) DBE Development shall, within 14 days after its receipt of the notice of termination, return to Yik Wang or Yik Wang's solicitors all documents, if any, delivered to it by or on behalf of Yik Wang or Yik Wang's solicitors.

(vi) DBE Development's rights to terminate

DBE Development shall be entitled to issue a notice of termination to Yik Wang if, at any time prior to the completion of the Project:-

- (a) Yik Wang fails, neglects or refuses to complete the sale in accordance with the provisions of the DRA;
- (b) Yik Wang commits any continuing or material breach of any of its obligations under the DRA which:-
 - (1) is incapable of remedy; or
 - (2) if capable of remedy, is not remedied within 14 days of it being given notice to do so;
- (c) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of Yik Wang;
- (d) an administrator or receiver or receiver and manager is appointed over or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of Yik Wang;
- (e) Yik Wang becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;
- (f) Yik Wang ceases or threatens to cease to carry on the whole or any substantial part of its respective business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the DRA);
- (g) any of the Warranties given by Yik Wang is found at any time to be materially untrue or inconsistent; or
- (h) the beneficial interests in the Development Rights cannot be assigned or transferred for any reasons whatsoever, other than by reasons caused by or attributable to any act, default or omission of DBE Development.

Following the giving of a notice of termination and if DBE Development elects not to pursue the remedies of specific performance:-

- (a) Yik Wang shall, within 14 days after receipt of the notice of termination:-
 - (1) return to DBE Development or DBE Development's solicitors all documents, if any, delivered to it by or on behalf of DBE Development; and
 - (2) return to DBE Development or DBE Development's solicitors any and all monies together with all accrued interest, if any, received by it towards account of the Landowner's Entitlement.
- (b) DBE Development shall, in exchange for the performance by Yik Wang's obligations under paragraph (a) above, within 14 days after the notice of termination, return to Yik Wang or Yik Wang's solicitors all documents, if any, delivered to it by or on behalf of Yik Wang or Yik Wang's solicitors.

(vii) Specific Performance

Notwithstanding the foregoing provisions of this Section 2.4(vii), DBE shall be at liberty to take such action in law as may be necessary to compel Yik Wang by way of specific performance to complete the transaction contemplated in the DRA in accordance with the provisions of the DRA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions of the DRA).

(viii) Yik Wang's right upon non-payment of the Balance Landowner's Entitlement

- (a) The parties agree, confirm and acknowledge that in the event that DBE Development breaches its obligation under the DRA to pay and settle any part of the Balance Landowner's Entitlement in accordance with Section 2.4(ii)(b) of this Circular, Yik Wang shall be entitled to initiate such action as may be available to Yik Wang in law to recover or claim for the outstanding part of the Balance Landowner's Entitlement solely on the basis of the Balance Landowner's Entitlement being a debt due from DBE Development to Yik Wang.
- (b) The parties agree, confirm and acknowledge that notwithstanding any other provision of the DRA, upon the vesting by Yik Wang to DBE Development of the Development Rights, the DRA shall not be capable of being terminated or deemed terminated on account of any such non-payment of the Balance Landowner's Entitlement.

(ix) Receivables and liabilities

The parties expressly acknowledge and covenant that the following shall take effect upon vesting of the Development Rights:

- (a) Yik Wang shall with effect from the Vesting Date recognise all payments in respect of:
 - (1) for the Sold Units, such progressive billings as at (and inclusive of) the Computation Date which are/have been billed or are billable or are outstanding in accordance with the schedule of billings under the Apartment SPAs, including any interest payable by End Purchasers under the terms of the Apartment SPAs; and
 - (2) for the Booked Units, such amount of deposits collected from the End Purchasers, including any interest payable by End Purchasers under the terms of the Apartment SPAs,as the revenue of Yik Wang and all debts, liabilities, duties and obligations of Yik Wang in respect of the Project as at (and inclusive of) the Computation Date shall constitute costs to be recognised by Yik Wang in connection with the Project.
- (b) DBE Development shall, with effect from the Vesting Date, recognise all payments in respect of:
 - (1) for Sold Units, such progressive billings after the Computation Date which are / have been billed or remain billable or are outstanding in accordance with the schedule of billings under the Apartment SPAs, including any interest payable by End Purchasers under the terms of the Apartment SPAs;

- (2) for Booked Units, such progressive billings after the Computation Date which are / have been billed or remain billable or are outstanding in accordance with the schedule of billings under the Apartment SPAs, including any interest payable by End Purchasers under the terms of the Apartment SPAs; and
- (3) all the sale proceeds, revenue and income in respect of the Apartments other than the Sold Units and the Booked Units,

as the revenue of DBE Development and all Post-Computation Date Liabilities shall constitute costs to be recognised by DBE Development in connection with the Project.

2.5 Salient terms of the Supplemental DRA

As set out in Section 1, Part A of this Circular, DBE Development had, on 11 January 2019 entered into a Supplemental DRA to revise certain terms and conditions contained in the DRA dated 30 November 2018.

The following salient terms form part of the Supplemental DRA. For avoidance of doubt, the remaining salient terms of the DRA as disclosed at Section 2.4 remained unchanged.

(i) Condition precedent

The DRA and the vesting of Development Rights will in all respects be conditional upon the following conditions precedent being fulfilled or obtained within 6 months after the date of the DRA (“**Cut-Off Date**”), or such other extended date as DBE Development and Yik Wang may mutually agree upon:-

- (a) DBE Development having obtained (at its own cost and expense) the approval of the Shareholders in general meeting being obtained for the vesting of Development Rights in accordance with the terms of the DRA; and
- (b) Any other approvals of any authorities as may be deemed necessary by the parties at the cost and expense of the party applying for such approval.

(ii) Action to be taken towards fulfilment of condition precedent

- (a) DBE Development shall as soon as practicable after the execution of the DRA, at its own respective cost and expense, do all that as may be necessary to procure the fulfilment of the condition precedent set out in Section 2.5 (i), and Yik Wang will as soon as practicable upon the request of DBE Development provide all necessary particulars and information and execute and deliver all necessary documents, if any, for the purposes of obtaining such condition precedent.
- (b) Without prejudice to Section 2.5 (ii)(a) above, the parties agree that any requests and enquiries from any government, court or regulatory body shall be dealt with by the parties in consultation with each other and the parties shall promptly co-operate with and provide all necessary information and assistance reasonably required by such government or other regulatory body upon being requested to do so by the other party.
- (c) DBE Development shall as soon as practicable after receiving any notice relating to the fulfilment of the condition precedent, forward a copy of such notice to Yik Wang.

(iii) Unconditional date

If the conditions precedent set out in Section 2.5 (i) are granted or obtained by the Cut-Off Date, either unconditionally or subject to conditions acceptable by DBE Development, then the DRA will become unconditional:-

- (a) if the conditions precedent are granted unconditionally, on the business day after the day upon which the conditions precedent set out in Section 2.5 (i) has been fulfilled/obtained; or
- (b) if any approval or consent is granted subject to any condition, on the business day after the day upon which DBE Development accepts such condition.

(iv) Right to terminate

If:-

- (a) on the expiry of the Cut-Off Date, any of the conditions precedent set out in Section 2.5(i) have been refused and appeal or appeals to the relevant authorities or persons against such refusal have not been successful;
- (b) on the expiry of the Cut-Off Date, any of the conditions precedent have not been obtained or fulfilled; or
- (c) at any time prior to the expiry of the Cut-Off Date, any of the conditions precedent shall have been granted subject to terms and conditions which are not acceptable to DBE Development being terms and conditions which affect DBE Development, and further representations to the relevant authorities or persons to vary such terms and conditions have not been successful, and DBE Development is not willing to accept such terms and conditions then imposed by the relevant authorities or persons,

then DBE Development shall be entitled to terminate the DRA by giving a notice in writing to that effect to Yik Wang, whereupon Yik Wang must *inter-alia* return any and all monies together with all accrued interest, if any, received by it towards account of the Landowner's Entitlement to DBE Development within 14 days of the giving of the notice and thereafter, the parties shall not have any further rights under the DRA except in respect of:-

- (i) any obligation under the DRA which is expressed to apply after the termination of the DRA; and
- (ii) any rights or obligations which have accrued in respect of any breach of any of the provisions in the DRA to either party prior to such termination.

(v) Adjustment of the purchase consideration

- (a) In the event that the assessed market value of the Project shall be varied/adjusted pursuant to any comments provided by the relevant authorities on the valuation report and the variation/adjustment to market value is equal to or less than 5%, the Landowner's Entitlement shall be adjusted upwards or downwards accordingly by the same quantum of variation/adjustment.
- (b) The adjusted Landowner's Entitlement to be paid by DBE Development to Yik Wang pursuant to this Section 2.5(v) shall be deemed to be the sum as adjusted in accordance with Section 2.5(v)(a) above.

- (c) When the variation/adjustment pursuant to any comments provided by the relevant authorities on the valuation report is more than 5%, the parties shall in good faith discuss and negotiate on an appropriate adjustment to the Landowner's Entitlement and mutually agree on an adjusted Landowner's Entitlement which is acceptable to both parties. If the parties are unable to reach mutual agreement on the adjusted Landowner's Entitlement within a period of 30 days or any mutually agreed extension period, either party shall be entitled to terminate the DRA by notice in writing.

2.6 Basis and justification for the Landowner's Entitlement

The Landowner's Entitlement was arrived at on a willing-buyer willing-seller basis after taking into consideration, *inter-alia*, the indicative market value of the Project, free from all encumbrances, of RM3,800,000 as ascribed by the independent firm of valuer appointed by DBE Development, namely CH Williams, in its valuation certificate dated 18 January 2019.

The market value of the Project of RM3,800,000 was arrived based on the residual method of valuation. Under the residual method of valuation, consideration is given to the GDV of the Project and deducting therefrom the estimated costs of development including preliminaries, development and statutory charges, construction costs and professional fees, financing charges and developer's profit and resultant amount is deferred over a period of time for the completion of the Project.

2.7 Details of the Purchaser

DBE Development, a wholly-owned subsidiary of DBE was incorporated in Malaysia under the Act, as a private limited company on 26 January 2018.

As at the LPD, DBE Development's issued share capital is RM250,000 comprising 250,000 ordinary shares. The directors of DBE Development are DDJM and DDTL. The principal activities of DBE Development are to carry on the business of real property, housing and industrial development, to develop land into industrial estate, housing schemes and complex for the purpose of sale or rent, and to carry on all other businesses incidental thereto.

2.8 Details of Yik Wang

Yik Wang was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 24 October 1996. The principal activities of Yik Wang are to carry on the business of investment holding and property development.

As at the LPD, Yik Wang's issued share capital is RM10,000,000 comprising 10,000,000 ordinary shares. The directors of Yik Wang are DDTL, DDJC and Chong Pei Wen.

As at the LPD, the shareholders of Yik Wang are as follows:-

Name	Direct		Indirect	
	No. of Yik Wang Shares	%	No. of Yik Wang Shares	%
DDJM ⁽ⁱ⁾	3,000,000	30	-	-
DDTL ⁽ⁱ⁾	3,000,000	30	-	-
DDJC ⁽ⁱⁱ⁾	3,000,000	30	-	-
Dato' Doh Neng Chiong	500,000	5	-	-
Datin Lee Hong King	500,000	5	-	-
Total	10,000,000	100	-	-

Notes:-

- (i) *DDJM and DDTL are the directors of DBE and DBE Development. DDJM and DDTL are also major shareholders of DBE.*
- (ii) *DDJC is a major shareholder of DBE.*

2.9 Liabilities to be assumed

Save for the obligations and liabilities in and arising from and in connection to the implementation and completion of the Project, there are no other liabilities, contingent liabilities or guarantees to be assumed by DBE pursuant to the Proposal.

2.10 Estimated financial commitments

The Board does not foresee any other material financial commitments required for the implementation and completion of the Project, save for the Landowner's Entitlement and the remaining GDC for the completion of the Project.

The GDC for the Project includes amongst others, statutory payments (i.e. registration of strata titles, payment to authorities), construction cost which includes earthworks and piling works and sales and marketing cost.

As at the LPD, the remaining construction cost, being the main component of the GDC, amounts to approximately RM20.98 million or 55% of the total Residual Developer's Cost of the Project which will be funded by DBE Group via internally generated funds.

2.11 Source of funding

As mentioned above, the Landowner's Entitlement as well as the remaining construction cost will be entirely funded by internally generated funds.

3. RATIONALE FOR THE PROPOSAL

The Proposal is in line with the Group's strategic direction to strengthen its property development segment, by enhancing its property development profile and the Group's overall growth prospects over the next few years.

The Group currently has two (2) on-going development projects as detailed below:-

- (i) Taman Desa Harmoni, Daerah Perak Tengah – a joint venture between DBE Development and Misi Jutari Sdn Bhd, to develop a mixed development project comprising 10 units of single-storey semi-detached house, 85 units of single-storey terrace house, and 19 units of single-storey shop house. The Taman Desa Harmoni project was launched in the 2nd Quarter of 2018 while construction work commenced in the same quarter. The Taman Desa Harmoni project is expected to generate developer's profit of RM6.96 million over the period of 2 years; and
- (ii) Sg. Terap, District of Kinta – a proposed development of 237 units of single-storey terrace house, 50 units of single-storey semi-detached house and 5 units of single-storey detached house. The Company expects to launch the Sg Terap project in first half of 2019 with construction work expected to commence in the same quarter. The Sg. Terap project is expected to generate developer's profit of RM12.61 million over the period of 3 years.

By undertaking the Proposal, DBE Group is able to further expand its property development segment through the expected contribution from the Project. In addition, the Project is the first high-rise residential development with affordable pricing within the Seri Iskandar locality, which enables DBE Group to further establish itself as a property developer particularly in the state of Perak.

Furthermore, pursuant to the Project's favourable take-up rate of 99% and the Project being an on-going development, the Company is able to immediately recognise the contribution from the Project from the Computation Date onwards upon the completion of the Proposal.

Additionally, the manner of settlement for the Balance Landowner's Entitlement, which is payable within 6 months from the Vesting Date, will enable the Company to conserve its current cash reserves to be utilised for the Group's operations whilst minimising the potential impact on its gearing.

4. INDUSTRY OVERVIEW AND PROSPECTS OF THE PROPOSAL

Information in Sections 4.1 and 4.2 have been extracted from the most recent available government publications and other publicly available sources.

4.1 Overview of the Malaysian Economy

The Malaysian economy grew by 4.7% in the fourth quarter of 2018 (3Q 2018: 4.4%), supported by continued expansion in domestic demand and a positive growth in net exports. Private sector expenditure remained the main driver of domestic demand, while a rebound in real exports of goods and services (+1.3%; 3Q 2018: -0.8%) contributed towards the positive growth of net exports. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%).

Private investment growth moderated to 4.4% (3Q 2018: 6.9%), attributed to slower capital spending across major economic sectors. However, ongoing multi-year projects particularly in the manufacturing sector continued to provide support to overall growth. Domestic demand expanded at a more moderate pace of 5.6% (3Q 2018: 6.9%) during the quarter. Growth was weighed down by a moderation in gross fixed capital formation.

(Source: BNM Quarterly Bulletin: Developments in the Malaysian Economy in the 4th Quarter 2018, Bank Negara Malaysia)

The outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real GDP is projected to expand 4.8% and 4.9% in 2018 and 2019, respectively, supported mainly by domestic demand. Private sector expenditure, in particular, household spending will remain as the anchor of growth following a continuous increase in employment and wage amid benign inflation. Meanwhile, private investment will be supported by new and ongoing projects in the services and manufacturing sectors. On the contrary, public expenditure is expected to grow marginally in 2018 and contract in 2019 following the lower capital outlays by public corporations.

(Source: Economic Outlook 2019, Ministry of Finance)

4.2 Overview of the Property Industry in Malaysia

The residential subsector is expected to grow at a marginal pace following the mismatch between supply and demand. Towards this end, the Government suspended the development of residential properties, serviced apartments and luxury condominiums priced over RM1 million in prime areas, effective November 2017. In addition, the developers are focusing on sales of existing projects to address the overhang issues. Meanwhile, the Government will continue to provide affordable housing for the low- and middle-income groups through various programs.

The non-residential subsector is projected to decline following oversupply and overhang of high-end shops and shopping complexes as well as downward trend in the incoming supply of commercial buildings. However, the demand for commercial buildings in prime areas is anticipated to remain stable supported by residential development projects in Klang valley suburbs, particularly in areas along MRT and LRT routes; as well as in major cities such as Johor Bahru, Melaka and Pulau Pinang.

(Source: Economic Outlook 2019, Ministry of Finance)

4.3 Overview of the Property Industry in Perak

According to the property market report for the first half of 2018 (“**H1 2018**”) by Valuation and Property Services Department (“**JPPH**”), moderation of market activity and construction sector within the Perak state signified gradual property market performance. As recorded in H1 2018, there were 17,272 transactions worth RM3.71 billion, down by 6.8% in volume and 1.0% in value against first half 2017 (“**H1 2017**”) (18,538 transactions worth RM3.74 billion).

The residential sub-sector dominated the Perak property market share by contributing 60.1% of the total transactions followed by agriculture sub-sector with 31.2%, commercial (5.1%), development land (1.8%) and industrial (1.7%) sub-sectors.

For high-rise residential property, the Perak state exhibited a total of 24,207 units which consisted of low-cost flat, flat and condominium/apartment units. Generally, the existing condominium / apartment units is mainly focused in the Kinta and Manjung district. The Kinta and Manjung district offered 5,804 and 2,875 condominium / apartment units respectively whilst the Perak Tengah district had no existing supply of high-rise residential property.

In line with the softening market, the overall residential overhang in Perak state had not improved. Having said that, the developers are focused on sales of existing projects to address the overhang issues while continue to deliver affordable condominium / apartment units to the high-rise residential market with an incoming total supply of about 5,502 units from Kampar, Manjung and Kinta district. On the other hand, according to the property market report, the Perak Tengah district registered no incoming supply of high-rise residential projects.

While the options are abundant within a reasonably active market, high-rise residential properties which are situated in prime locations such as within the proximity of the town centre and government administration centres would still be in high demand due to accessibility and convenience factor.

For the new launches, the primary market recorded a slowdown with only 1,946 units, reduced by 17.3% against 2,352 units launched in H1 2017. About 47.5% (926 units) of total new units, were made up of condominium and apartments which are priced between RM150,001 to RM200,000.

On the demand-side, the amount of loans applied for the purchase of residential property, together with the amount of approved loans had reduced by 3.1% and 0.2% respectively, as compared to H1 2017. Stringent financing and decreased disposable income are generally the causes for a lower take-up rate of the residential property.

As at Q2 2018, the All House Price Index for the state stood at 176.8 points, increased by 3.8% from 170.4 points in Q2 2017. Also, the average All House Price for the Perak state increased from RM195,101 in Q2 2017 to RM202,340 in Q2 2018.

In terms of market performance, the market for residential property in Perak state is expected to stabilise by the end of 2018. In overview, the residential market in Perak state is seen to be more competitive and challenging in these recent years as various types of residential developments have been offered to satisfy the needs and wants of consumers which leads to the imminent growth of the supply in the market.

The transaction volume and value are expected to continue to rise at a slower pace as the developers are focused on marketing their existing properties to diminish the residential overhang issue. The residential overhang issue is inevitable, however our observation revealed that proper adjustment on pricing of the residential property would eventually move the supply and demand towards equilibrium.

(Source: Valuation Report dated 18 January 2019 prepared by CH Williams Talhar & Wong Sdn Bhd)

4.4 Prospect of the Proposal

The Land is easily accessible via Ipoh-Lumut Highway, Jalan Teknologi 1 and thereafter onto an unnamed service road leading to the Land. It is located in a developed township with various amenities such as hypermarkets, banks, clinics and government offices. In addition, there are other surrounding educational institutions situated within the vicinity of the Land including MARA University of Technology Perak (UiTM) and Petronas University of Technology (UTP).

Its affordability concept and strategic location near to the existing established residential developments and educational institutions, have bode well for the demand and marketability of the Project.

As at the LPD, the Project is 99% sold. As such, barring any unforeseen circumstances, DBE Group envisages that the prospects of the Project is favourable to its overall financial performance moving forward.

(Source: Management of DBE)

5. RISK FACTORS IN RELATION TO THE PROPOSAL

Some non-exhaustive risk factors which may be inherent to DBE Group are as follows:-

5.1 Transaction Risk

The Proposal is subject to, amongst others, the fulfilment of the terms and conditions and the performance by the relevant parties of their respective obligations as set out in the DRA. There is no assurance that the Proposal will not be exposed to risks such as the inability by either party to fulfill the respective obligations as set out in the DRA. Further, it should also be noted that the Vesting Sum will be forfeited in favour of Yik Wang as a result of any breach or default by DBE Development under the DRA.

However, the Company will take reasonable steps that are within its control to ensure that the terms and conditions and their respective obligations as set out in the DRA are fulfilled by the stipulated date in accordance with the provisions of the DRA.

5.2 Delay in the completion of the Project

As at the LPD, the Project is 65% completed and the first hand-over of the Project to the End Purchasers is expected to occur by end of 2019. The Company is of the view that the development is currently on schedule and will take all reasonable steps within its control and working closely with the appointed contractor to complete the Project within the stipulated time frame.

Notwithstanding the above, the completion of the Project is dependent on many external factors, some of which may be beyond the control of our Group such as obtaining various regulatory approvals as scheduled, satisfactory and timely performance of the contractors who are appointed to complete the Project, adverse weather conditions and/or any unforeseen circumstances.

If any of the above mentioned circumstances occur for a prolonged period, our Group may incur additional costs such as liquidated and ascertained damages payable to the End Purchasers, which may impact our future financial performance.

5.3 Defect Liability

The sale and purchase agreements signed with the End Purchasers for the Apartments stipulate that the defects liability period for work done is 24 months from the date of the first official hand-over of the completed Project.

This means that DBE Development would be liable for the work carried out and for any repairs, reconstruction or rectification of any faults or defects which may surface and are identified during the defects liability period. There is no assurance that any repair, reconstruction or rectification works during the defects liability period will not have a material impact on our Group's financial performance.

Nevertheless, by working closely with the appointed contractor, the Company will take all reasonable steps to ensure that the work specifications are met and to reduce the defects, if any, to a minimal level.

5.4 Political, economic and regulatory factors

Adverse developments in political, economic, regulatory and social conditions in Malaysia including, *inter-alia*, introduction of new rules or regulations and methods of taxation, could materially and adversely affect the financial prospects of the Proposal directly or indirectly. These factors are generally beyond the management's control and affect all the players in the property industry. Nevertheless, the DBE Group will continuously strive to take reasonable and effective measures to mitigate the abovementioned risks.

6. EFFECTS OF THE PROPOSAL

The Proposal does not involve any issuance of new shares in the Company and hence the Proposal will not have any effect on the share capital and the substantial shareholdings of the Company.

6.1 NA and Gearing

As the Proposal is expected to be completed by the first half of 2019, the Proposal is not expected to have any effect on the NA per share and gearing of DBE Group for the FYE 31 December 2018.

Nonetheless, the Proposal is expected to contribute positively to the future earnings of DBE Group arising from the undertaking of the Project. Any profit attributable would be realised in stages over the tenure of the Project based on the progress of the Project. Hence, it is expected to enhance the NA of the Group for the FYE 31 December 2019.

Additionally, in view that the Company intends to fund the Landowner's Entitlement and the construction cost via internally generated funds, the Proposal would not have any effect on the Group's gearing.

6.2 EPS

As the Proposal is expected to be completed by the first half 2019, the Proposal is not expected to have any effect on the consolidated earnings and EPS of the DBE Group for the FYE 31 December 2018.

The Proposal is expected to contribute positively to the future earnings of DBE Group arising from the undertaking of the Project. Any profit attributable would be realised in stages over the tenure of the Project based on the progress of the Project. Hence, it is expected to enhance the earnings of the Group for the FYE 31 December 2019.

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

Save as disclosed below, none of the directors and/or major shareholders of DBE and/or persons connected with them have any interest, direct or indirect, in the Proposal:

- (i) DDJM, the Executive Director and major shareholder of DBE via his indirect shareholdings in Doh Properties through Setia Awan and his direct shareholdings in DBE, is a major shareholder of Yik Wang. He is also the brother of DDTL and DDJC;
- (ii) DDTL, the Non-Independent Non-Executive Chairman and major shareholder of DBE via his indirect shareholdings in Doh Properties through Setia Awan, is a major shareholder and director of Yik Wang. He is also the brother of DDJM and DDJC;
- (iii) DDJC, the major shareholder of DBE via his indirect shareholdings in Doh Properties through Setia Awan, is a major shareholder and director of Yik Wang. He is also the brother of DDJM and DDTL; and
- (iv) Doh Properties and Setia Awan are deemed interested in view that DDJM, DDTL and DDJC are the directors of both Doh Properties and Setia Awan. DDJM, DDTL and DDJC are also the major shareholders of Setia Awan.

In view of the above, DDJM and DDTL are deemed to be Interested Directors. As such, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposal.

In addition, the Interested Directors will also abstain from voting and undertake to ensure that persons connected with them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in DBE, if any, on the resolution pertaining to the Proposal to be tabled at the EGM to be convened.

Doh Properties, being an interested Shareholder, will abstain from voting and undertake to ensure that persons connected with it, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in DBE, if any, on the resolution pertaining to the Proposal to be tabled at the EGM to be convened.

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The details of the Interested Directors and interested Shareholders and their respective shareholdings in DBE as at the LPD are as follows:

<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of DBE Shares</u>	<u>%</u>	<u>No. of DBE Shares</u>	<u>%</u>
<u>Interested Directors and/or interested major shareholders</u>				
DDJM	57,520,000	2.15	939,280,220 ⁽ⁱ⁾	35.07
DDTL	-	-	939,280,220 ⁽ⁱ⁾	35.07
Doh Properties	939,280,220	35.07	-	-
DDJC	-	-	939,280,220 ⁽ⁱ⁾	35.07
Setia Awan	-	-	939,280,220 ⁽ⁱⁱ⁾	35.07

Notes:-

- (i) Deemed interested pursuant to Section 8 of the Act by virtue of their shareholdings in Setia Awan, which in turn holds 100% equity interest in Doh Properties.
- (ii) Deemed interested pursuant to Section 8 of the Act by virtue of its shareholdings in Doh Properties.

8. AMOUNT TRANSACTED WITH THE INTERESTED DIRECTORS, INTERESTED SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM FOR THE PRECEDING 12 MONTHS

Save for the Proposal and certain recurrent related party transactions of a revenue or trading nature which are necessary for the day-to day operations of the Group, there were no other transactions entered into by the Company with the Interested Directors, interested Shareholder and/or persons connected with them for the preceding 12 months preceding the LPD.

9. APPROVALS REQUIRED

The Proposal is subject to the following approvals being obtained:-

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

10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposal, which is the subject matter of this Circular, the Board confirms that there are no other outstanding corporate proposals that have been announced through Bursa Securities but not yet completed prior to the printing of this Circular.

The Proposal is not inter-conditional upon any other corporate exercises undertaken or to be undertaken by DBE.

11. STATEMENT BY THE BOARD OF DIRECTORS

The Board (save for Interested Directors who have abstained and shall continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposal), after having considered all aspects of the Proposal, is of the view that the Proposal is in the best interest of DBE Group.

The opinion of the Board (save for Interested Directors who have abstained and shall continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposal) was arrived at after having considered, *inter-alia*, the rationale for the Proposal, the basis of arriving at the Landowner's Entitlement for the Proposal, the terms of the DRA and Supplemental DRA as well as the views of the Independent Adviser.

Accordingly, the Board (save for Interested Directors who have abstained and shall continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposal) recommends that you vote in favour of the resolution pertaining to the Proposal to be tabled at the forthcoming EGM.

12. STATEMENT BY THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Company, after having considered all aspects of the Proposal, is of the opinion that the Proposal:-

- (i) is in the best interest of DBE Group;
- (ii) is fair, reasonable and on normal commercial terms; and
- (iii) is not detrimental to the interest of the non-interested Shareholders of DBE.

The opinion of the Audit and Risk Committee was arrived at after having considered, *inter-alia*, the rationale for the Proposal, the basis of arriving at the Landowner's Entitlement for the Proposal and the terms of the DRA and Supplemental DRA as well as the views of the Independent Adviser.

The Audit and Risk Committee had sought and considered the views of the Independent Adviser in forming its opinion of the Proposal and has concurred with the views of the Independent Adviser.

13. INDEPENDENT ADVICE LETTER

The IAL in relation to the Proposal, is set out in Part B of this Circular. You are advised to read the IAL together with the appendices of this Circular carefully before voting on the resolution pertaining to the Proposal to be tabled at the forthcoming EGM.

14. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposal is expected to be completed by the first half of 2019.

15. EGM

The EGM will be held on Monday, 27 May 2019, at 11:30 a.m., at Intan 1, The Orient Star Resort Lumut, Lot 203 & 366, Jalan Iskandar Shah, 32200 Lumut, Perak Darul Ridzuan, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing, *inter-alia*, with or without modifications, the resolution to give effect to the Proposal, the notice of which is set out in this Circular.

If you are entitled to attend and vote at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you are requested to complete, sign and deposit the Form of Proxy enclosed in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the Registered Office of the Company at No.54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Shareholders are requested to refer to the appendices for further information.

Yours faithfully,
For and on behalf of the Board of
D.B.E. GURNEY RESOURCES BERHAD

DATO DING SENG HUAT
GROUP MANAGING DIRECTOR

PART B

**INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES TO THE NON-INTERESTED
SHAREHOLDERS IN RELATION TO THE PROPOSAL**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning 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 IAL are references to Mercury Securities, being the Independent Adviser for the Proposal.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter from the Board to the shareholders in relation to the Proposal in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposal.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolution to give effect to the Proposal to be tabled at the forthcoming EGM of the Company.

If you are in 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 30 November 2018, DBE Development (*a wholly-owned subsidiary of the Company*) entered into the DRA with Yik Wang to participate in the development and assume the Development Rights of the Project.

On 11 January 2019, DBE Development had on even date entered into the Supplemental DRA with Yik Wang to revise certain terms and conditions contained in the DRA.

Further details of the Proposal are set out in Section 2, Part A of the Circular.

In view of the interests of the Interested Directors and interested major Shareholders in respect of the Proposal (*see Section 7, Part A of the Circular for their interests and course of actions in relation to the Proposal*), the Proposal is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, on 11 January 2019, Mercury Securities has been appointed as the Independent Adviser to advise the non-interested Directors and the non-interested Shareholders in relation to the Proposal.

The purpose of this IAL is to provide the non-interested Shareholders with an independent evaluation on the fairness and reasonableness of the Proposal and whether the Proposal is detrimental to the non-interested Shareholders together with our recommendation on whether the non-interested Shareholders should vote in favour of the Proposal.

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2. EVALUATION OF THE PROPOSAL

Consideration factors	Section	Our evaluation
(i) Rationale for the Proposal	3.1	<p>The rationale for the Proposal is fair and reasonable.</p> <p>The Proposal is a continuation to the Group's diversification initiative and represents another opportunity for the Group to grow and expand its property development business.</p> <p>The Proposal enables the Group to participate in the development and assume the development rights to the Project, which ultimately is expected to contribute positively to the financial performance of the Group backed by the strategic location of the Project and its 100% take-up rate as at the LPD.</p>
(ii) Basis and justification of determining the Landowner's Entitlement	3.2	<p>In evaluating the Landowner's Entitlement, we have reviewed the valuation conducted by CH Williams for the Project. In arriving at the opinion on the market value of the Project, CH Williams has only adopted 1 method of valuation i.e. the income approach (residual method) as the subject property is an on-going residential development.</p> <p>Under the residual method of valuation, consideration is given to the gross development value ("GDV") of the Project and deducting therefrom the estimated costs of development including preliminaries, development and statutory charges, construction costs and professional fees, financing charges and developer's profit and resultant amount is deferred over a period of time for the completion of the Project.</p> <p>We are of the view that the valuation methodology adopted by CH Williams is appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by CH Williams and find them to be reasonable. As such, we are satisfied with the reasonableness of CH William's opinion on the market value of the Project of RM3.80 million for the purposes of the Proposal.</p> <p>We view that the Landowner's Entitlement for the Project of RM3.80 million is fair and reasonable as it is equivalent to the market value of the Project.</p>
(iii) Salient terms of the DRA and Supplemental DRA	3.3	<p>The salient terms of the DRA and Supplemental DRA are fair and reasonable and are not detrimental to the interests of the non-interested Shareholders.</p>

EXECUTIVE SUMMARY (cont'd)

Consideration factors	Section	Our evaluation
(iv) Effects of the Proposal	3.4	<p>The pro forma effects of the Proposal (see Section 6, Part A of the Circular as well as Section 3.4 of this IAL for further details) are as follows:-</p> <ul style="list-style-type: none"> (i) no effect on the share capital and substantial shareholders' shareholdings of DBE as the Proposal will be satisfied entirely in cash; (ii) the Proposal is expected to contribute positively to the future earnings and EPS of DBE upon vesting of the Development Rights to DBE Development and its undertaking of the Project. <p>In arriving at the market value of the Project, the Valuer has deducted, amongst others, developer's profit (approximately RM4.75 million) and finance cost (approximately RM0.69 million) from the GDV of the Project. This sum of developer's profit shall be attributable to DBE Development (being the owner and developer of the Project) and would be realised in stages over the tenure of the Project based on the progress of the Project. Further, as the Group intends to fund the construction cost via internally generated funds, the Group's profitability from the Project will increase by the finance cost savings;</p> <ul style="list-style-type: none"> (iii) the future earnings from the Project over its tenure are expected to enhance the NA of the Group; and (iv) no effect on the gearing of the Group as the Group intends to fund the Landowner's Entitlement and the construction cost via internally generated funds. <p>Further, as the Group recognises profits from the Project, the Group's existing gearing of 0.21 times as at 31 December 2017 will decrease.</p> <p>The overall effects of the Proposal are not detrimental to the interests of the non-interested Shareholders.</p>
(v) Prospects of the Project and the DBE Group in the property development industry	3.5	<p>The prospects of the Project and the DBE Group in the property development industry appear to be positive driven by the high take-up rate of the Project attributable to its strategic location and affordability concept as well as the Group's future plans to further grow and expand its property development business, leveraging on the extensive experience of DDJM in the industry.</p>

EXECUTIVE SUMMARY (cont'd)

Consideration factors	Section	Our evaluation
(vi) Risk factors in relation to the Proposal	3.6	<p>The risk factors in relation to the Proposal are set out in Section 5, Part A of the Circular.</p> <p>In view that the DBE Group has in 2018 diversified its business to include property development, the risk factors associated with the Proposal are similar to those currently faced by the Group for its property development business. Accordingly, the business risk profile of the Group is not expected to change significantly pursuant to the Proposal.</p> <p>Further, we wish to highlight that there is no risk in relation to saleability of the Project as the Project has been fully sold as at the LPD.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposal. Based on our evaluation in Section 3 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposal is **fair and reasonable** and is **not detrimental** to the non-interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposal to be tabled at the forthcoming EGM of the Company.

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Headquarters:
Ground, 1st, 2nd, 3rd Floor
Wisma Umno
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

10 April 2019

To: The non-interested shareholders of D.B.E. Gurney Resources Berhad

Dear Sir / Madam,

D.B.E. GURNEY RESOURCES BERHAD (“DBE” OR THE “COMPANY”)

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSAL

This IAL is prepared for inclusion in the Circular to the shareholders of DBE. All definitions used in this IAL shall have the same meaning 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 IAL are references to Mercury Securities, being the Independent Adviser for the Proposal.

1. INTRODUCTION

On 30 November 2018, DBE Development (*a wholly-owned subsidiary of the Company*) entered into the DRA with Yik Wang to participate in the development and assume the Development Rights of the Project.

On 11 January 2019, DBE Development had on even date entered into the Supplemental DRA with Yik Wang to revise certain terms and conditions contained in the DRA.

Further details of the Proposal are set out in Section 2, Part A of the Circular.

In view of the interests of the Interested Directors and interested major Shareholders in respect of the Proposal (*see Section 7, Part A of the Circular for their interests and course of actions in relation to the Proposal*), the Proposal is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, on 11 January 2019, Mercury Securities has been appointed as the Independent Adviser to advise the non-interested Directors and the non-interested Shareholders in relation to the Proposal.

The purpose of this IAL is to provide the non-interested Shareholders with an independent evaluation on the fairness and reasonableness of the Proposal and whether the Proposal is detrimental to the non-interested Shareholders together with our recommendation on whether the non-interested Shareholders should vote in favour of the Proposal.

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

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

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Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont’ Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my
Melaka - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898
Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118
Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD TO THE SHAREHOLDERS IN RELATION TO THE PROPOSAL AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSAL TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSAL

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposal. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters ("**IAL Guide**") issued by Bursa Securities.

Our terms of reference as the Independent Adviser are limited to expressing an independent opinion on the fairness and reasonableness of the Proposal and whether the Proposal is detrimental to the non-interested Shareholders together with our recommendation on whether the non-interested Shareholders should vote in favour of the Proposal based on information and documents made available to us as set out below:-

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) the DRA and Supplemental DRA;
- (iii) the valuation report and valuation certificate from CH Williams on the valuation of the Project;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the board of directors, management and/or representatives of DBE and Yik Wang; and
- (v) other relevant publicly available information.

We have relied on DBE and Yik Wang as well as their directors, management and/or representatives to take due care in ensuring that all information, documents, confirmations and representations provided to us to facilitate our evaluation and which had been used, referred to and/or relied upon in this IAL have been fully disclosed to us, are accurate, valid and complete in all material aspects.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (*save for the assessment, evaluation and opinion of Mercury Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of:-

- (i) the information relating to Yik Wang, the Project, the Apartments and the Land is limited to ensuring that such information is accurately reproduced in this IAL; and

- (ii) the independent advice and expression of opinion by Mercury Securities in relation to the Proposal is limited to ensuring that accurate information in relation to the DBE Group has been provided to Mercury Securities for its evaluation of the Proposal and to ensure that all information in relation to the DBE Group that are relevant to Mercury Securities' evaluation of the Proposal have been completely disclosed to Mercury Securities and that there is no material fact, the omission of which would make any information provided to Mercury Securities false or misleading.

We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. After making all reasonable enquiries and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implications of the Proposal and therefore are of general concern to the non-interested Shareholders to consider and form their views thereon. Notwithstanding the foregoing:-

- (i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposal; and
- (ii) we have not given consideration to the specific investment objectives, risk profiles, financial situations and particular needs of any individual non-interested Shareholder or any specific group of non-interested Shareholders. We recommend that any individual non-interested Shareholder or group of non-interested Shareholders who is / are in doubt as to the action to be taken or require advice in relation to the Proposal in the context of their investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the DRA and Supplemental DRA are able to fulfill their respective obligations in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time after the date of this letter. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

We shall notify the non-interested Shareholders if, after the despatch of this IAL, we become aware of the following:-

- (i) significant change affecting the information contained in this IAL;
- (ii) there is a reasonable ground to believe that the statements in this IAL are misleading / deceptive; and
- (iii) there is a material omission in this IAL.

The followings are disclosure made pursuant to the IAL Guide:-

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposal;
- (ii) Save for the current appointment as the Independent Adviser for the Proposal and the independent adviser for the conditional mandatory take-over offer of DBE by Doh Properties (*which closed on 15 October 2018*), we do not have any other professional relationship with DBE in the past 2 years; and

- (iii) We are a holder of 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. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

Amongst others, our experience and credentials as independent adviser include the following:-

- (a) independent adviser to the non-interested shareholders of Lion Industries Corporation Berhad in relation to the proposed disposal of its entire shareholding in Angkasa Amsteel Pte Ltd involving the interests of related parties, whereby our independent advice letter was issued on 31 January 2019;
- (b) independent adviser to the disinterested shareholders of Selangor Properties Berhad (“**SPB**”) in relation to the proposed selective capital reduction and repayment exercise of SPB pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 22 January 2019;
- (c) independent adviser to the non-interested shareholders of Daiman Development Berhad (“**Daiman**”) in relation to the proposed selective capital reduction and repayment exercise of Daiman pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 16 November 2018;
- (d) independent adviser to the non-interested shareholders of Sapura Energy Berhad (“**SEB**”) in relation to the proposed exemption for Permodalan Nasional Berhad, Amanah Saham Bumiputera and persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining ordinary shares, warrants and Islamic redeemable convertible preference shares in SEB not already owned by them pursuant to Paragraphs 4.08(1)(b) and 4.08(1)(c) of the Rules on Take-overs, Mergers and Compulsory Acquisitions, whereby our independent advice letter was issued on 7 November 2018;
- (e) independent adviser to the non-interested shareholders of Media Prima Berhad in relation to the proposed sale of various assets and tenancy of properties involving the interests of related parties, whereby our independent advice letter was issued on 2 November 2018;
- (f) independent adviser to the non-interested shareholders of DBE in relation to the conditional mandatory take-over offer by Doh Properties to acquire all the remaining ordinary shares and warrants in DBE not already owned by Doh Properties, the joint ultimate offerors and persons acting in concert with them, whereby our independent advice circular was issued on 4 October 2018;
- (g) independent adviser to the non-interested shareholders of Goh Ban Huat Berhad in relation to the proposed acquisition of various properties from related parties, whereby our independent advice letter was issued on 5 March 2018;

- (h) independent adviser to the entitled shareholders of LCTH Corporation Berhad (“**LCTH**”) in relation to the proposed selective capital reduction and repayment exercise of LCTH pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 14 February 2018;
- (i) independent adviser to the non-interested shareholders of D & O Green Technologies Berhad in relation to the proposed acquisition of additional equity interest in Dominant Opto Technologies Sdn Bhd from various related parties, whereby our independent advice letter was issued on 30 January 2018; and
- (j) independent adviser to the shareholders of Ideal Jacobs (Malaysia) Corporation Bhd in relation to the proposed major disposal of all its operating entities to a related party, whereby our independent advice letter was issued on 4 January 2018.

3. EVALUATION OF THE PROPOSAL

In our evaluation of the Proposal, we have considered the following factors:-

Consideration factors	Section
(i) Rationale for the Proposal	3.1
(ii) Basis and justification of determining the Landowner’s Entitlement	3.2
(iii) Salient terms of the DRA and Supplemental DRA	3.3
(iv) Effects of the Proposal	3.4
(v) Prospects of the Project and the DBE Group in the property development industry	3.5
(vi) Risk factors in relation to the Proposal	3.6

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3.1 Rationale for the Proposal

The rationale for the Proposal as extracted from Section 3, Part A of the Circular and our commentaries are as follows:-

Rationale for the Proposal	Our commentaries
<p>The Proposal is in line with the Group's strategic direction to strengthen its property development segment, by enhancing its property development profile and the Group's overall growth prospects over the next few years.</p> <p>The Group currently has two (2) on-going development projects as detailed below:-</p> <p>(i) Taman Desa Harmoni, Daerah Perak Tengah – a joint venture between DBE Development and Misi Jutari Sdn Bhd, to develop a mixed development project comprising 10 units of single-storey semi-detached house, 85 units of single-storey terrace house and 19 units of single-storey shop house. The Taman Desa Harmoni project was launched in the 2nd Quarter of 2018 while construction work commenced in the same quarter. The Desa Harmoni project is expected to generate developer's profit of RM6.96 million over the period of 2 years; and</p> <p>(ii) Sg. Terap, District of Kinta – a proposed development of 237 units of single-storey terrace house, 50 units of single-storey semi-detached house and 5 units of single-storey detached house. The Company expects to launch the Sg Terap project in first half of 2019 with construction work expected to commence in the same quarter. The Sg. Terap project is expected to generate developer's profit of RM12.61 million over the period of 3 years.</p>	<p><u>Diversification of business</u></p> <p>In anticipation that the future prospects of its poultry business will continue to be challenging, the Group has, in 2018, diversified its business to include property development and construction (following the Shareholders' approval for the said diversification on 16 April 2018). The exercise was undertaken for the Group to diversify its revenue stream and earnings base, ultimately reducing dependency on its poultry business.</p> <p>Currently, the DBE Group has the following 2 on-going property development projects:-</p> <p>(i) <u>Taman Desa Harmoni</u></p> <p>A joint venture between DBE Development (75%) and Misi Jutari Sdn Bhd (25%) of a mixed development project comprising 10 units of semi-detached house, 85 units of terrace house and 19 units of shop house in Perak.</p> <p>(ii) <u>Development on Sungai Terap Land*</u></p> <p>A proposed development of 237 units of single-storey terrace house, 50 units of single-storey semi-detached house and 5 units of single-storey detached house. The project is expected to be launched in the 1st half of 2019.</p> <p>* On 5 June 2018, DBE Development entered into a conditional sale and purchase agreement ("Sungai Terap SPA") with Glitter Holdings Sdn Bhd to purchase the Sungai Terap Land i.e. a piece of 99-year leasehold land measuring approximately 28 acres located within Mukim of Sungai Terap, District of Kinta, Perak Darul Ridzuan for a total cash consideration of RM5,390,000. The Sungai Terap SPA has become unconditional on 27 December 2018.</p> <p><u>A continuation to the Group's diversification initiative</u></p> <p>The Proposal represents another opportunity for the Group to grow and expand its property development business, in line with the intention of the controlling shareholders of DBE i.e. the Doh family. As set out in the Offer Document from Doh Properties dated 24 September 2018, their future plans to further expand the property development and construction operations of DBE Group include acquiring and/or entering into agreements or joint ventures for viable landbanks and/or property development projects and construction projects from third parties and/or from themselves.</p>

Rationale for the Proposal	Our commentaries
<p>By undertaking the Proposal, DBE Group is able to further expand its property development segment through the expected contribution from the Project. In addition, the Project is the first high-rise residential development with affordable pricing within the Seri Iskandar locality, which enables DBE Group to further establish itself as a property developer particularly in the state of Perak.</p> <p>Furthermore, pursuant to the Project's favourable take-up rate of 99% and the Project being an on-going development, the Company is able to immediately recognise the contribution from the Project from the Computation Date onwards upon the completion of the Proposal.</p> <p>Additionally, the manner of settlement for the Balance Landowner's Entitlement, which is payable within 6 months from the Vesting Date, will enable the Company to conserve its current cash reserves to be utilised for the Group's operations whilst minimising the potential impact on its gearing.</p>	<p>The Proposal enables the Group to participate in the development and assume the development rights to the Project for a total cash consideration of RM3.8 million, which we view as fair and reasonable as it is equivalent to the market value of the Project assigned by the Valuer (see Section 3.2 of this IAL for our assessment on the basis and justification of determining the Landowner's Entitlement). In arriving at the market value of the Project, the Valuer has deducted, amongst others, developer's profit (approximately RM4.75 million) and finance cost (approximately RM0.69 million) from the gross development value ("GDV") of the Project. This sum of developer's profit shall be attributable to DBE Development (being the owner and developer of the Project) and would be realised in stages over the tenure of the Project based on the progress of the Project. Further, as the Group intends to fund the construction cost via internally generated funds, the Group's profitability from the Project will increase by the finance cost savings.</p> <p>The extended timeframe for settlement of the Balance Landowner's Entitlement (as set out in Section 2.4(ii), Part A of the Circular) will enable DBE to conserve its cash for the Group's operations.</p> <p>Further, the Project is located within the same locality of the other 2 development projects of DBE Development i.e. in Perak. This allows a more efficient utilisation of management resources as well as building up a strong track record and enhancing the property development profile of the Group in Perak, especially with the Group leveraging on the extensive experience of DDJM (Executive Director of DBE) in property development business. DDJM has more than 18 years of working experience in the property development industry and has been involved in an executive cum project director role for various property projects with a combined GDV of more than RM450 million in Perak since 2011.</p> <p><u>Favourable prospects of the Project</u></p> <p>The Project is strategically located near to the existing established residential developments and educational institutions within the Seri Iskandar township and is easily accessible via Ipoh-Lumut Highway. Coupled with its affordability concept, the Project has thus far received overwhelming response from purchasers and all 780 units have been sold as at the LPD.</p> <p>Please refer to Section 4.4, Part A of the Circular and Section 3.5 of this IAL for details on prospects of the Project and the DBE Group in the property development industry. The effects of the Proposal are set out in Section 6, Part A of the Circular and Section 3.4 of this IAL.</p>

Based on the above, we are of the view that the rationale for the Proposal is fair and reasonable.

3.2 Basis and justification of determining the Landowner's Entitlement

We noted the basis and justification of determining the Landowner's Entitlement in Section 2.6, Part A of the Circular. We are of the opinion that the factor considered in arriving at the Landowner's Entitlement is appropriate.

In evaluating the Landowner's Entitlement, we have reviewed the valuation conducted by CH Williams for the Project. The Project, also known as "Pangsapuri Seri Iskandar", is an on-going residential development project of 780 units of apartments within 4 blocks of 8-storey building situated off Ipoh-Lumut Highway.

In arriving at the opinion on the market value of the Project, CH Williams has adopted the income approach (residual method). Under the residual method of valuation, consideration is given to the GDV of the Project and deducting therefrom the estimated costs of development including preliminaries, development and statutory charges, construction costs and professional fees, financing charges and developer's profit and resultant amount is deferred over a period of time for the completion of the Project. This method is generally adopted in valuing land with on-going projects and land for development, of which reasonable estimates can be made in respect of the development.

In view of the above and that the subject property is an on-going residential development, the Valuer has only adopted 1 method of valuation i.e. the residual method which is able to factor in the GDV and the estimated costs of development of the Project in the valuation. Further, reasonable estimates can be made in respect of the Project as it is almost fully sold and is already in the midst of development as at the date of valuation.

Arising from the above and based on the valuation report by CH Williams dated 18 January 2019, the market value of the Project as at 11 January 2019 is RM3.8 million. The market value is arrived at based on the status of sales, progress payment from sales, contract awarded and the amount certified based on the work done as at the Computation Date of 30 September 2018.

We are of the view that the valuation methodology adopted by CH Williams is appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by CH Williams and find them to be reasonable. As such, we are satisfied with the reasonableness of CH William's opinion on the market value of the Project for the purposes of the Proposal.

The key bases and assumptions adopted by CH Williams in arriving at the market value of the Project and our commentaries are as follows:-

GDV

The GDV refers to the potential sales revenue achievable from the proposed development units. A survey has been carried out on the transaction and selling prices of similar units launched or transacted in the market in order to arrive at the fair and reasonable sale prices of each components of the subject property. Adjustments are then made for differences in location, size, tenure, density, specifications and other relevant characteristics, if any, to arrive at the final proposed sales figure.

As per the sales status dated 30 September 2018, 723 units of the apartment have been sold whilst 55 units have been reserved and 2 units have yet to be sold:-

Block	Total units	Total units sold	Total units reserved	Total units unsold	Sales status* (%)
A	179	177	-	2	98.9
B	211	196	15	-	100.0
C	179	178	1	-	100.0
D	211	172	39	-	100.0
Total	780	723	55	2	99.7

* Based on total units sold and reserved.

The total GDV of RM47,461,900 (which includes the total proposed selling price of the unsold and reserved units and the total balance unbilled amount for the sold units) has been adopted in the valuation of the Project:-

	Net selling price (RM)	Amount billed as at 30 September 2018 (RM)	Balance amount (RM)
Sold	86,788,400	46,210,100	40,578,300 (85.5%)
Reserved	6,634,000	-	6,634,000 (14.0%)
Unsold	249,600	-	249,600 (0.5%)
Total	93,672,000	46,210,100	47,461,900 (100.0%)

We view that the GDV adopted is fair and reasonable after taking into consideration the following:-

- (i) as at 30 September 2018, the Project has achieved a take-up rate of 99.7%, whereby 723 units (92.7%) have been sold, 55 units (7.0%) have been reserved and only 2 units (0.3%) are still unsold. The balance GDV from the sold units constitutes the majority (85.5%) of the total GDV of the Project;
- (ii) range of gross selling prices for the apartment units of Pangsapuri Seri Iskandar (RM199,800 to RM219,800) vis-à-vis the developer's selling prices for apartment units within the Kinta district (as there is no other existing supply of high-rise residential projects in Perak Tengah district):-

No	Project name	Total units	Built-up area (square feet)	Developer's selling price (RM)	Year of completion
1.	PR1MA @ Fair Park	252	850 to 950	289,000 to 367,000	2019
2.	PR1MA @ Bandar Meru Raya	352	959 to 1,137	245,000 and above	2019
3.	PR1MA @ Falim	616	803 to 1,096	210,000 to 345,000	2019
4.	PR1MA @ Kampung Paloh	456	784 to 1,236	206,000 to 384,000	2018

- (iii) range of proposed selling prices of the apartment units of Pangsapuri Seri Iskandar (RM147 to RM160 per square foot) vis-à-vis analysed transaction prices for sub-sale of 2 existing apartment units within the Kinta district (RM154 to RM155 per square foot) (as there is no other existing supply of high-rise residential projects in Perak Tengah district); and
- (iv) the All House Price Index for the state of Perak of RM202,340 in the 2nd quarter of 2018.

(Source: Valuation report by CH Williams)

Gross development cost ("GDC")

The GDC in the residual method of valuation include preliminaries, contribution to Lembaga Air Perak, Tenaga Nasional Berhad, Indah Water Konsortium and building plan fees, earthwork and site clearance, building construction costs, infrastructure work costs, finance costs, contribution to relevant authorities, marketing, administrative and legal fees, administration and project management, professional fees, contingencies and developer's profit.

The total GDC of RM42,960,888 (being the total balance cost including developer's profit to be incurred for the Project) has been adopted in the valuation of the Project. The breakdown of the balance GDC to be incurred and our commentaries are as follows:-

Item	Balance amount (RM)	Our commentaries
Statutory payments / contributions	4,293,544	Fair and reasonable. The statutory payments / contributions to relevant authorities are based on either the amount prescribed by the authorities or total amount of cost to be incurred estimated based on number of apartment units, GDV etc.
Earthwork / Piling / Retaining wall / Construction cost	26,907,379	Fair and reasonable. This represents the balance sum to be incurred in respect of the contract awarded to Rantau Urusan (M) Sdn Bhd for preliminaries, piling, building, infrastructure, mechanical and electrical works as well as ancillary building works of the Project.
Finance cost	686,138	Fair and reasonable. The Valuer has adopted a finance cost of 8.50% per annum on 30% of the total balance estimated construction costs to be incurred (RM26.9 million) by an entity intending to carry out such development. This assumption is reasonable in view that:- (i) the effective interest rates of short-term borrowings (i.e. bank overdraft / bankers' acceptance) available to the Group are ranging from 7.75% to 9.10% (Source: Annual Report 2017); and (ii) the said total balance sum of RM26.9 million will be incurred over the duration of the Project instead of one lump sum.
Advertising, sales and marketing	3,176,000	Fair and reasonable. We noted that the advertising, sales and marketing cost (representing 10.8% of the total GDV) is higher than the industry practice. A higher amount is adopted by the Valuer as the Project is the first high-rise residential development in the locality.
Professional fees	951,756	Fair and reasonable. We noted that the professional fees (representing 4.2% of the total construction costs) are slightly below the industry average of 5% to 8%. A lower amount is adopted by the Valuer as the Project is a low-medium cost apartment development.
Administration and project management	584,588	Fair and reasonable. We noted that the administration and project management cost (representing 3.3% of the total construction costs) is in line with the industry average of 3% to 5%.

Item	Balance amount (RM)	Our commentaries
Contingencies	1,615,293	Fair and reasonable. The contingencies allowance in respect of unexpected items such as escalation of development costs at a rate of 5% of the balance total development costs (<i>excluding statutory contribution</i>) is in line with the industry practice.
Developer's profit	4,746,190	Fair and reasonable. The Valuer's surveys and enquiries with developers revealed that generally, the rate of return of about 10% to 20% of GDV is required for a developer to commit to a project development. As the Project is almost fully sold as at the date of valuation, the Valuer has adopted 10% in valuing the Project.
Total	42,960,888	

(Source: Valuation report by CH Williams)

Development period and discount rate

The Valuer has adopted 2 years as the estimated balance development period for completion of the Project and the balance units to be fully taken up. We view this 2-year period to be fair and reasonable in view that the Project is almost fully sold as at the date of valuation and the total work done for the Project as at 30 September 2018 is 52% (*based on the interim payment certificate no. 15 issued by Yik Wang*).

We also view the discount rate of 8.50% adopted by the Valuer to be fair and reasonable after taking into consideration the sales status and progress of the Project as well as the finance cost (8.50% per annum) of the Project.

Our commentaries:-

Based on the valuation by CH Williams, the Landowner's Entitlement for the Project of RM3.80 million is equivalent to the market value of the Project of RM3.80 million. Accordingly, we view that the Landowner's Entitlement for the Project is fair and reasonable.

3.3 Salient terms of the DRA and Supplemental DRA

Our commentaries on the salient terms of the DRA and Supplemental DRA as set out in Sections 2.4 and 2.5, Part A of the Circular respectively are as follows:-

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(i) Participation in the development of the Project and assumption of the Development Rights</p> <p>(a) Subject to the terms and conditions contained in the DRA, DBE Development shall participate and Yik Wang shall agree for DBE Development to participate in the development of the Project.</p> <p>(b) DBE Development shall assume and Yik Wang shall irrevocably vest in, confer upon and grant and assign and transfer to DBE Development the Development Rights with immediate effect from the Vesting Date.</p> <p>(c) The Development Rights shall be vested by Yik Wang and assumed by DBE Development:-</p> <ol style="list-style-type: none"> (1) free from any encumbrances; (2) subject to the rights and interests of the End Purchasers and/or the End Financiers under the sale and purchase agreements entered into between Yik Wang and the End Purchasers in respect of the Apartment SPAs; and (3) on the basis that each of the Warranties are true and accurate in all respects. <p>(d) The parties agree that simultaneous with the execution of the DRA, Yik Wang shall execute a power of attorney in the form and substance prescribed in the DRA ("Power of Attorney") and deposit the same with the solicitors of DBE Development to hold in escrow and deal with in accordance with Section 2.4(iii)(b), Part A of the Circular.</p>	<p>Fair and reasonable. This clause allows the vesting of the Development Rights by Yik Wang to DBE Development subject to, amongst others, rights and interests of the end purchasers and/or the end financiers under sale and purchase agreements for the sold units.</p> <p>As revised in the Supplemental DRA, the vesting of Development Rights is conditional upon the fulfilment of the conditions precedent within 6 months after the date of the DRA or such other extended date as may be mutually agreed upon.</p>

Salient terms of the DRA and Supplemental DRA		Our commentaries					
<p>(ii) Landowner's Entitlement and payment</p> <p>The participation of DBE Development in the development of the Project and the vesting by Yik Wang to DBE Development of the Development Rights shall be subject to the payment by DBE Development of the Landowner's Entitlement, which shall be satisfied by DBE Development in the following manner:-</p> <p>(a) On the Vesting Date, DBE Development shall pay the Vesting Sum to Yik Wang; and</p> <p>(b) The Balance Landowner's Entitlement shall be paid by DBE Development to Yik Wang within a period of 6 months following the Vesting Date, or if mutually agreed by the parties in writing an extended date of 12 months following the Vesting Date, as an amount due and owing by DBE Development to Yik Wang following the Vesting Date.</p>	<p>Fair and reasonable. Please refer to Section 3.2 of this IAL for our evaluation of the Landowner's Entitlement. Further, it is worth noting that the entire Landowner's Entitlement is only payable after the vesting of Development Rights* to DBE Development and no deposit is required for the Proposal.</p> <p>* As revised in the Supplemental DRA, the vesting of Development Rights is conditional upon the fulfillment of the DRAs conditions precedent within 6 months after the date of the DRA or such other extended date as may be mutually agreed upon.</p>						
<p>(iii) Adjustment of the purchase consideration</p> <p>(a) In the event that the assessed market value of the Project shall be varied / adjusted pursuant to any comments provided by the relevant authorities on the valuation report and the variation / adjustment to market value is equal to or less than 5%, the Landowner's Entitlement shall be adjusted upwards or downwards accordingly by the same quantum of variation / adjustment.</p> <p>(b) The adjusted Landowner's Entitlement to be paid by DBE Development to Yik Wang pursuant to Section 2.5(v), Part A of the Circular shall be deemed to be the sum as adjusted in accordance with Section 2.5(v)(a), Part A of the Circular.</p> <p>(c) When the variation / adjustment pursuant to any comments provided by the relevant authorities on the valuation report is more than 5%, the parties shall in good faith discuss and negotiate on an appropriate adjustment to the Landowner's Entitlement and mutually agree on an adjusted Landowner's Entitlement which is acceptable to both parties. If the parties are unable to reach mutual agreement on the adjusted Landowner's Entitlement within a period of 30 days or any mutually agreed extension period, either party shall be entitled to terminate the DRA by notice in writing.</p>	<p>Fair and reasonable. This adjustment clause safeguards the interests of both Yik Wang and DBE Development in the event of a variation / adjustment to the assessed market value of the Project, as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Variation / Adjustment to the assessed market value of the Project</th> <th style="text-align: center;">Adjustment</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5% or less</td> <td>The Landowner's Entitlement will be adjusted upwards or downwards by the quantum of variation / adjustment</td> </tr> <tr> <td style="text-align: center;">More than 5%</td> <td>An appropriate adjustment to the Landowner's Entitlement to be mutually agreed within 30 days or such extended period, failing which, either party shall be entitled to terminate the DRA</td> </tr> </tbody> </table>	Variation / Adjustment to the assessed market value of the Project	Adjustment	5% or less	The Landowner's Entitlement will be adjusted upwards or downwards by the quantum of variation / adjustment	More than 5%	An appropriate adjustment to the Landowner's Entitlement to be mutually agreed within 30 days or such extended period, failing which, either party shall be entitled to terminate the DRA
Variation / Adjustment to the assessed market value of the Project	Adjustment						
5% or less	The Landowner's Entitlement will be adjusted upwards or downwards by the quantum of variation / adjustment						
More than 5%	An appropriate adjustment to the Landowner's Entitlement to be mutually agreed within 30 days or such extended period, failing which, either party shall be entitled to terminate the DRA						

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(iv) Conditions precedent</p> <p>(i) The DRA and the vesting of Development Rights will in all respects be conditional upon the following conditions precedent being fulfilled or obtained within 6 months after the date of the DRA (“Cut-Off Date”), or such other extended date as DBE Development and Yik Wang may mutually agree upon:-</p> <p>(a) DBE Development having obtained (<i>at its own cost and expense</i>) the approval of the Shareholders in general meeting being obtained for the vesting of Development Rights in accordance with the terms of the DRA; and</p> <p>(b) Any other approvals of any authorities as may be deemed necessary by the parties at the cost and expense of the party applying for such approval.</p> <p>(ii) Action to be taken towards fulfilment of condition precedent</p> <p>(a) DBE Development shall as soon as practicable after the execution of the DRA, at its own respective cost and expense, do all that as may be necessary to procure the fulfilment of the condition precedent set out in Section 2.5(i), Part A of the Circular, and Yik Wang will as soon as practicable upon the request of DBE Development provide all necessary particulars and information and execute and deliver all necessary documents, if any, for the purposes of obtaining such condition precedent.</p> <p>(b) Without prejudice to Section 2.5(ii)(a), Part A of the Circular, the parties agree that any requests and enquiries from any government, court or regulatory body shall be dealt with by the parties in consultation with each other and the parties shall promptly co-operate with and provide all necessary information and assistance reasonably required by such government or other regulatory body upon being requested to do so by the other party.</p> <p>(c) DBE Development shall as soon as practicable after receiving any notice relating to the fulfilment of the condition precedent, forward a copy of such notice to Yik Wang.</p>	<p>Fair and reasonable. The conditions precedent represent necessary approvals / procedures to facilitate the completion of the Proposal.</p> <p>In the event that any of the conditions precedent is not fulfilled or waived within 6 months from the date of the DRA or such other extended date as may be mutually agreed upon, DBE Development shall be entitled to terminate the agreement and be returned all monies together with all accrued interest, if any, paid towards the account of the Landowner’s Entitlement and thereafter, the parties shall not have any further rights under the agreement except in respect of any obligation which is expressed to apply after the termination and any rights or obligations which have accrued prior to such termination.</p> <p>As at the LPD, all the conditions precedent have not been satisfied.</p>

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(iii) Unconditional date</p> <p>If the conditions precedent set out in Section 2.5(i), Part A of the Circular are granted or obtained by the Cut-Off Date, either unconditionally or subject to conditions acceptable by DBE Development, then the DRA will become unconditional:-</p> <p>(a) if the conditions precedent are granted unconditionally, on the business day after the day upon which the conditions precedent set out in Section 2.5(i), Part A of the Circular has been fulfilled / obtained; or</p> <p>(b) if any approval or consent is granted subject to any condition, on the business day after the day upon which DBE Development accepts such condition.</p> <p>(iv) Right to terminate</p> <p>If:-</p> <p>(a) on the expiry of the Cut-Off Date, any of the conditions precedent set out in Section 2.5(i), Part A of the Circular have been refused and appeal or appeals to the relevant authorities or persons against such refusal have not been successful;</p> <p>(b) on the expiry of the Cut-Off Date, any of the conditions precedent have not been obtained or fulfilled; or</p> <p>(c) at any time prior to the expiry of the Cut-Off Date, any of the conditions precedent shall have been granted subject to terms and conditions which are not acceptable to DBE Development being terms and conditions which affect DBE Development, and further representations to the relevant authorities or persons to vary such terms and conditions have not been successful, and DBE Development is not willing to accept such terms and conditions then imposed by the relevant authorities or persons,</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>then DBE Development shall be entitled to terminate the DRA by giving a notice in writing to that effect to Yik Wang, whereupon Yik Wang must <i>inter-alia</i> return any and all monies together with all accrued interest, if any, received by it towards account of the Landowner's Entitlement to DBE Development within 14 days of the giving of the notice and thereafter, the parties shall not have any further rights under the DRA except in respect of:-</p> <p>(i) any obligation under the DRA which is expressed to apply after the termination of the DRA; and</p> <p>(ii) any rights or obligations which have accrued in respect of any breach of any of the provisions in the DRA to either party prior to such termination.</p>	<p>Please refer to our commentaries above.</p>
<p>(v) Vesting Date</p> <p>On the Vesting Date:-</p> <p>(a) Yik Wang:-</p> <p>(1) irrevocably covenants and agrees that DBE Development shall be vested and conferred with and granted with the Development Rights;</p> <p>(2) shall deliver all other documents which it is incumbent upon Yik Wang to produce and/or sign documents as necessary to enable DBE Development to receive and assume conduct and control of the Development Rights (<i>if any</i>);</p> <p>(3) shall deliver to DBE Development an extract or certified true copy of the resolution of Yik Wang appointing both the duly authorised representatives of Yik Wang and DBE Development as the joint signatories of the housing development account in respect of the Project under the Housing Development (Housing Development Account) Regulations, 1991 ("HDA Account") and the bank account designated by the parties for the purpose of depositing all monies withdrawn from the HDA Accounts ("Designated Account"); and</p>	<p>Fair and reasonable. This clause sets out the arrangement to effect the vesting of the Development Rights by Yik Wang to DBE Development and their respective obligations post-Vesting Date. Upon the vesting of the Development Rights, DBE Development will have the full right and discretion to deal with the Development Rights and Project.</p>

Salient terms of the DRA and Supplemental DRA

Our commentaries

Please refer to our commentaries above.

- (4) shall deliver to DBE Development a copy of each of the Apartment SPAs, the Developer's Letters of Undertaking, all other relevant contract(s), agreement(s), undertaking(s) and other document(s) in respect of the carrying out of the Works, the Planning Permission, the Layout Plan, the Building Plans, any other approvals in respect of the Project, and all other books, records and project accounts and statements in respect of the Project, complete and up-to-date (*whether stored in writing or on electronic media*).
- (b) In exchange for Yik Wang's compliance of the obligations and delivery of the documents referred to in Section 2.4(iii)(a), Part A of the Circular, DBE Development shall make the payment of the Vesting Sum pursuant to Section 2.4(ii)(a), Part A of the Circular.
- (c) The solicitors of DBE Development are authorised, upon or as soon as may be possible after the vesting by Yik Wang to DBE Development of the Development Rights, to cause the Power of Attorney to be dated and registered at the registry of the High Court of Malaya and in the books of any company or corporation or land office / registry or elsewhere as may be necessary or desirable.

Obligations of the parties upon vesting of the Development Rights

- (a) DBE Development's obligation
 - Upon vesting of the Development Rights by Yik Wang to DBE Development, DBE Development shall have the full right and discretion to exercise and deal with the Development Rights and Project in succession to Yik Wang, and DBE Development shall undertake amongst others the following obligations:-
 - (1) to administer, carry out and complete the Project and manage all development issues arising from or relating to the Project;
 - (2) to manage all legal and financial matters arising from or relating to the Project; and
 - (3) whether by itself or through its Professional Team or its employees, officers, agents or representatives, to carry out the Works on the Land and at and on such other areas within the Land which are ancillary to the Works.

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(b) Yik Wang's obligation</p> <p>Upon vesting of the Development Rights by Yik Wang to DBE Development, in view that the Planning Permission, the Layout Plan and the Building Plans have been obtained in the name of Yik Wang and shall continue to be held and maintained in the name of Yik Wang following the Vesting Date, Yik Wang shall to the extent that such rights are not wholly vested in DBE Development and are not fully exercisable by DBE Development, hold the entire rights and benefit of the Project following the Vesting Date for DBE Development and undertake the following obligations:-</p> <ol style="list-style-type: none"> (1) to maintain the Planning Permission, the Layout Plan, the Building Plans and any other approvals in respect of the Project ("Development Approvals") and their validity; (2) not to make any changes to the nature of the Project, including the Development Approvals, without the instruction or approval in writing of DBE Development; (3) to observe and comply with all relevant laws, regulations, statutes and by-laws for the time being in force affecting the Project or construction to be carried out on the Land which are to be complied with on its part and in this respect, it shall indemnify and keep indemnified DBE Development against any fines, penalties, fees and charges imposed upon DBE Development as a result of infringement, breach or non-compliance of any regulations, statutes and by-laws by Yik Wang; and (4) to maintain in full force and effect all other benefits, rights, interests, permits, licences, consents, approvals, undertakings and rights and benefits used, enjoyed, conferred or exercised by Yik Wang in connection with the Project. 	<p>Please refer to our commentaries above.</p>

Salient terms of the DRA and Supplemental DRA

(vi) Yik Wang's rights to terminate

Yik Wang shall be entitled to issue a notice of termination to DBE Development if, at any time prior to the full payment of the Landowner's Entitlement:-

- (a) DBE Development commits any continuing or material breach of any of its obligations under the DRA which:-
 - (1) is incapable of remedy; or
 - (2) if capable of remedy, is not remedied within 14 days of it being given notice to do so;
- (b) a petition is presented (and such petition is not stayed or stuck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of DBE Development;
- (c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of DBE Development;
- (d) DBE Development becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or make a general assignment for the benefit of its creditors; or
- (e) DBE Development ceases or threatens to cease to carry on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the DRA).

Following the giving of a notice of termination by Yik Wang:-

- (a) the Vesting Sum shall be forfeited absolutely in favour of Yik Wang;
- (b) Yik Wang shall, within 14 days after the notice of termination:-
 - (1) return to DBE Development or DBE Development's solicitors all documents, if any, delivered to it by or on behalf of DBE Development; and

Our commentaries

Fair and reasonable. This clause is a normal commercial term which governs the rights of the non-defaulting party. In the event of a termination due to events or circumstances (as set out in Sections 2.4(v), (vi), (vii) and (viii), Part A of the Circular), the non-defaulting party shall be entitled to the following rights and remedies:-

Non-defaulting party	DBE Development	Yik Wang
(i) Remedy by way of specific performance to complete the agreement; or	✓	-
(ii) Terminate the SPA and DBE Development will be refunded the following:- <ul style="list-style-type: none"> (a) Balance Landowner's Entitlement free of interest (i.e. the Vesting Sum will be forfeited in favour of Yik Wang) (b) Landowner's Entitlement together with accrued interest 	- ✓ -	

Nonetheless, upon the vesting of the Development Rights to DBE Development, the agreement shall not be capable of being terminated on account of non-payment of the Balance Landowner's Entitlement. In the event that DBE Development does not pay the Balance Landowner's Entitlement, Yik Wang shall be entitled to initiate such action in law to recover such outstanding amount.

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(2) return, refund and repay to DBE Development or DBE Development's solicitors any and all monies free of interest received by it towards account of the Balance Landowner's Entitlement;</p> <p>(c) DBE Development shall, within 14 days after its receipt of the notice of termination, return to Yik Wang or Yik Wang's solicitors all documents, if any, delivered to it by or on behalf of Yik Wang or Yik Wang's solicitors.</p> <p>DBE Development's rights to terminate</p> <p>DBE Development shall be entitled to issue a notice of termination to Yik Wang if, at any time prior to the completion of the Project:-</p> <p>(a) Yik Wang fails, neglects or refuses to complete the sale in accordance with the provisions of the DRA;</p> <p>(b) Yik Wang commits any continuing or material breach of any of its obligations under the DRA which:-</p> <p>(1) is incapable of remedy; or</p> <p>(2) if capable of remedy, is not remedied within 14 days of it being given notice to do so;</p> <p>(c) a petition is presented (<i>and such petition is not stayed or stuck-out within 30 business days of the petition being served</i>) or an order is made or a resolution is passed for the winding up of Yik Wang;</p> <p>(d) an administrator or receiver or receiver and manager is appointed over or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of Yik Wang;</p> <p>(e) Yik Wang becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(f) Yik Wang ceases or threatens to cease to carry on the whole or any substantial part of its respective business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the DRA);</p> <p>(g) any of the warranties given by Yik Wang is found at any time to be materially untrue or inconsistent; or</p> <p>(h) the beneficial interests in the Development Rights cannot be assigned or transferred for any reasons whatsoever, other than by reasons caused by or attributable to any act, default or omission of DBE Development.</p> <p>Following the giving of a notice of termination and if DBE Development elects not to pursue the remedies of specific performance:-</p> <p>(a) Yik Wang shall, within 14 days after receipt of the notice of termination:-</p> <p>(1) return to DBE Development or DBE Development's solicitors all documents, if any, delivered to it by or on behalf of DBE Development; and</p> <p>(2) return to DBE Development or DBE Development's solicitors any and all monies together with all accrued interest, if any, received by it towards account of the Landowner's Entitlement.</p> <p>(b) DBE Development shall, in exchange for the performance by Yik Wang's obligations under paragraph (a) above, within 14 days after the notice of termination, return to Yik Wang or Yik Wang's solicitors all documents, if any, delivered to it by or on behalf of Yik Wang or Yik Wang's solicitors.</p> <p>Yik Wang's right upon non-payment of the Balance Landowner's Entitlement</p> <p>(a) The parties agree, confirm and acknowledge that in the event that DBE Development breaches its obligation under the DRA to pay and settle any part of the Balance Landowner's Entitlement in accordance with Section 2.4(ii)(b), Part A of the Circular, Yik Wang shall be entitled to initiate such action as may be available to Yik Wang in law to recover or claim for the outstanding part of the Balance Landowner's Entitlement solely on the basis of the Balance Landowner's Entitlement being a debt due from DBE Development to Yik Wang.</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(b) The parties agree, confirm and acknowledge that notwithstanding any other provision of the DRA, upon the vesting by Yik Wang to DBE Development of the Development Rights, the DRA shall not be capable of being terminated or deemed terminated on account of any such non-payment of the Balance Landowner's Entitlement.</p> <p>(vii) Specific performance</p> <p>Notwithstanding the foregoing provisions of this section, DBE shall be at liberty to take such action in law as may be necessary to compel Yik Wang by way of specific performance to complete the transaction contemplated in the DRA in accordance with the provisions of the DRA <i>(in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions of the DRA)</i>.</p>	<p>Please refer to our commentaries above.</p>
<p>(viii) Receivables and liabilities</p> <p>The parties expressly acknowledge and covenant that the following shall take effect upon vesting of the Development Rights:-</p> <p>(a) Yik Wang shall with effect from the Vesting Date recognise all payments in respect of:-</p> <p>(1) for the Sold Units, such progressive billings as at <i>(and inclusive of)</i> the Computation Date which are/have been billed or are billable or are outstanding in accordance with the schedule of billings under the Apartment SPAs, including any interest payable by End Purchasers under the terms of the Apartment SPAs; and</p> <p>(2) for the Booked Units, such amount of deposits collected from the End Purchasers, including any interest payable by End Purchasers under the terms of the Apartment SPAs,</p> <p>as the revenue of Yik Wang and all debts, liabilities, duties and obligations of Yik Wang in respect of the Project as at <i>(and inclusive of)</i> the Computation Date shall constitute costs to be recognised by Yik Wang in connection with the Project.</p>	<p>Fair and reasonable. This clause sets out the entitlements and liabilities of respective parties pursuant to the Proposal.</p>

Salient terms of the DRA and Supplemental DRA	Our commentaries
<p>(b) DBE Development shall, with effect from the Vesting Date, recognise all payments in respect of:-</p> <ol style="list-style-type: none"> (1) for Sold Units, such progressive billings after the Computation Date which are/have been billed or remain billable or are outstanding in accordance with the schedule of billings under the Apartment SPAs, including any interest payable by End Purchasers under the terms of the Apartment SPAs; (2) for Booked Units, such progressive billings after the Computation Date which are/have been billed or remain billable or are outstanding in accordance with the schedule of billings under the Apartment SPAs, including any interest payable by End Purchasers under the terms of the Apartment SPAs; and (3) all the sale proceeds, revenue and income in respect of the Apartments other than the Sold Units and the Booked Units, <p>as the revenue of DBE Development and all Post-Computation Date Liabilities shall constitute costs to be recognised by DBE Development in connection with the Project.</p>	<p>Please refer to our commentaries above.</p>

Based on the above, we are of the view that the salient terms of the DRA and Supplemental DRA are fair and reasonable and are not detrimental to the interests of the non-interested Shareholders.

3.4 Effects of the Proposal

We noted the following effects of the Proposal from Section 6, Part A of the Circular:-

3.4.1 Share capital and substantial shareholders' shareholdings

The Proposal (*which will be satisfied entirely in cash*) will not have any effect on the share capital and substantial shareholders' shareholdings of DBE.

3.4.2 Earnings and EPS

The Proposal is expected to contribute positively to the future earnings and EPS of DBE upon vesting of the Development Rights to DBE Development and its undertaking of the Project.

In arriving at the market value of the Project, the Valuer has deducted, amongst others, developer's profit (*approximately RM4.75 million*) and finance cost (*approximately RM0.69 million*) from the GDV of the Project. This sum of developer's profit shall be attributable to DBE Development (*being the owner and developer of the Project*) and would be realised in stages over the tenure of the Project based on the progress of the Project. Further, as the Group intends to fund the construction cost via internally generated funds, the Group's profitability from the Project will increase by the finance cost savings.

3.4.3 NA, NA per DBE Share and gearing

The future earnings from the Project over its tenure are expected to enhance the NA of the Group. There is no impact arising from the Proposal and Project on the gearing of the Group as the Group intends to fund the Landowner's Entitlement and the construction cost via internally generated funds. Further, as the Group recognises profits from the Project, the Group's existing gearing of 0.21 times as at 31 December 2017 will decrease.

Based on our evaluation above, the overall effects of the Proposal are not detrimental to the interests of the non-interested Shareholders.

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3.5 Prospects of the Project and the DBE Group in the property development industry

As set out in Section 3.1 of this IAL, the Proposal is a continuation of the Group's diversification initiative to include property development business, alongside with its other 2 developments in Perak i.e. the joint venture for the development at Taman Desa Harmoni and the development on Sungai Terap Land.

The Proposal enables the Group to participate in the development and assume the development rights to the Project, being the first high-rise residential project in Bandar Seri Iskandar of Perak Tengah district (*As set out in the valuation report by CH Williams, there is no other existing or incoming supply of high-rise residential projects in Perak Tengah district*).

Seri Iskandar had been developed upon mainly with mixed residential, commercial, government buildings and institutional development and is portrayed as an "educational township" due to the array of established institutions within the township such as MARA Professional College, Vocational College Seri Iskandar, Institusi Kemahiran Belia Negara Seri Iskandar, Petronas University of Technology (UTP) and MARA University of Technology Perak (UiTM).

While the options of landed residential properties are abundant in Perak, the strategic location of the Project (*which is easily accessible via Ipoh-Lumut Highway and within a developed township with various amenities, existing established residential developments and educational institutions*) coupled with its affordability concept have bode well for the demand and marketability of the Project. As at the LPD, the Project has received overwhelming response from purchasers and all 780 units have been sold.

Moving forward, the Group will continue to leverage on the extensive experience of DDJM to spearhead its property development business. With the residential property market still in an oversupply situation with slow take-up rate due to amongst others stringent financing requirements and decreased disposable income, the management of DBE is of the view that offering the right type of property at the right price range is crucial to meet the needs of the consumers.

Further, the Group will continue to actively source for commercially viable landbanks and/or property development projects to further grow and expand its property development business.

(Source: Management of DBE)

Based on the foregoing, we are of the view that the prospects of the Project and the DBE Group in the property development industry appear to be positive.

3.6 Risk factors in relation to the Proposal

In considering the Proposal, the non-interested Shareholders are advised to give careful consideration to the risk factors as set out in Section 5, Part A of the Circular.

In view that the DBE Group has in 2018 diversified its business to include property development, the risk factors associated with the Proposal are similar to those currently faced by the Group for its property development business. Accordingly, the business risk profile of the Group is not expected to change significantly pursuant to the Proposal.

Further, we wish to highlight there is no risk in relation to saleability of the Project as the Project has been fully sold as at the LPD.

4. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the ordinary resolution to give effect to the Proposal at the forthcoming EGM of the Company, it is imperative that the non-interested Shareholders consider all relevant issues and implications raised in this IAL carefully, as well as those highlighted by the Board in its letter to the Shareholders in relation to the Proposal, as set out in Part A of the Circular.

After taking into consideration the pertinent factors highlighted in the preceding sections of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposal is fair and reasonable and is not detrimental to the non-interested Shareholders.

Accordingly, we recommend that the non-interested Shareholders vote in favour of the ordinary resolution to give effect to the Proposal to be tabled at the forthcoming EGM of the Company.

Yours faithfully
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

DENIS LIM
Director / Head of Corporate Finance



Report and Valuation

Our Ref: WTW/07/V/006337/18/TWS/ckt

18 January 2019

PRIVATE & CONFIDENTIAL

D.B.E. Gurney Resources Berhad
Unit 110, Block G
Pusat Perdagangan Phileo Damansara 1
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

**CERTIFICATE OF VALUATION
AN ONGOING RESIDENTIAL DEVELOPMENT
KNOWN AS PANGSAPURI SERI ISKANDAR
ERECTED ON LOT NO. 15845
(PREVIOUSLY KNOWN AS PT 2718)
TOWN OF SERI ISKANDAR, DISTRICT OF PERAK TENGAH, PERAK
FOR SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD**

We thank you for your instructions to carry out a formal valuation on the above-mentioned property in providing our opinion of the Market Value of the property for the purpose of submission to Bursa Malaysia Securities Berhad in relation to the proposed participation of the development rights to an ongoing residential development known as Pangsapuri Seri Iskandar by D.B.E Development Sdn Bhd.

Having inspected the property and investigated available data related and relevant to the matter, we are pleased to report that in our opinion, the market value of the subject property as at 11 January 2019 **BASED ON THE BASIS AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** with permission to sell, charge, lease, transfer and free from all encumbrances is **RM3,800,000/- (Ringgit Malaysia: Three Million and Eight Hundred Thousand Only)**.

The valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents, and Property Managers, Malaysia.

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

C H Williams Talhar & Wong Sdn Bhd (18149-U)
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VALUATION CERTIFICATE FROM CH WILLIAMS (CONT'D)

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref: WTW/07/V/006337/18/TWS
Page 2

TERMS OF REFERENCE

To assess the market value of the above-mentioned property for the purpose of submission to Bursa Malaysia Securities Berhad in relation to the proposed participation of the development rights to an ongoing residential development known as Pangsapuri Seri Iskandar by D.B.E Development Sdn Bhd.

As instructed, the valuation is conducted based on the following basis:-

1. TO VALUE THE ON-GOING DEVELOPMENT BASED ON THE STATUS OF SALES, PROGRESS PAYMENT FROM SALES, CONTRACT AWARDED AND THE AMOUNT CERTIFIED BASED ON THE WORK DONE AS AT 30 SEPTEMBER 2018.
2. THE STAGE OF COMPLETION OF THE DEVELOPMENT IS BASED ON THE INTERIM PAYMENT CERTIFICATE NO. 15 ISSUED BY YIK WANG DEVELOPMENT SDN BHD AS AT 30 SEPTEMBER 2018.

IT IS TO BE NOTED THAT THE VALUATION IS BASED ON THE ABOVE BASIS WHICH ARE ASSUMED TO BE CORRECT. WE RESERVE THE RIGHT TO MAKE AMENDMENTS (INCLUDING THE MARKET VALUE) IF ANY OF THE ABOVE BASIS IS INVALID/ INCORRECT.

PROPERTY IDENTIFICATION

The property	:	An ongoing residential development comprises 780 units of apartment within four blocks of 8-storey building known as Pangsapuri Seri Iskandar.
Location	:	Off Ipoh - Lumut Highway, Seri Iskandar, Perak
Master Title No.	:	PN 405295 (Previously known as HSD 14933)
Master Lot No.	:	Lot 15845 (Previously known as PT 2718), Town of Seri Iskandar, District of Perak Tengah, Perak
Surveyed Land Area	:	40,470 square metres (approximately 435,615.44 square feet or 10.00 acres)
Tenure	:	Leasehold 99 years expiring on 2 March 2113 (Unexpired term of approximately 94 years)
Registered Owner	:	YIK WANG DEVELOPMENT SDN BHD
Category of Land Use	:	Building
Planning Provision	:	It is designated for residential use as per the Express Condition in the document of title.
Encumbrances	:	Nil
Other Endorsements	:	Nil

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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GENERAL DESCRIPTION

The subject property is approximately 40 kilometres by road to the south-west of Ipoh town centre.

The immediate surrounding of the subject property includes mixed residential and commercial developments i.e. Puncak Iskandar, Iskandar Perdana, Iskandar Bistari and Seri Iskandar Business Centre (SIBC) and prominent landmarks of government buildings i.e. Majlis Daerah Perak Tengah and Pejabat Daerah dan Tanah Perak Tengah and established institutions i.e. Petronas University of Technology (UTP) and MARA University of Technology Perak (UiTM).

Site

The site, an intermediate lot with a surveyed land area of 40,470 square metres (approximately 435,615.44 square feet or 10.00 acres), is about rectangular in shape. The land is generally flat and lies at about the level of the existing reserved road.

During our site inspection, we noted that the construction of the apartments was in progress and the site boundary was enclosed with metal cladding sheets.

Proposed Development

The proposed building plans under reference NJAPMIP/202/2015 prepared by Nathan-Jones Architect have been approved by Majlis Daerah Perak Tengah (MDPT) bearing reference No. Bil. (19) dalam MDPT. OSC/PB416/OKT/2015 dated 27 January 2016.

The subject property has been approved for the following development:-

- (i) 2 blocks of 8-storey building with total 358 units of apartment (Block A and Block C);
- (ii) 2 blocks of 8-storey building with total 422 units of apartment (Block B and Block D) and
- (iii) 1 floor of multipurpose hall which comprises prayer room, toilets and kindergarden.

The gross floor area of the above-mentioned four blocks of 8-storey building are as follows:-

Block	Gross Floor Area (excluding Motorcycle Parking)	
	(sq.m)	(sq.ft)
Block A	17,970.61	193,434.02
Block B	21,145.66	227,609.93
Block C	17,970.61	193,434.02
Block D	21,145.66	227,609.93
Total	78,232.54	842,087.90

Based on the Approved Building Plans, the proposed development will provide a total of 868 car park bays (including 6 OKU car park bays) and 407 motorcycle parking bays.

VALUATION CERTIFICATE FROM CH WILLIAMS (CONT'D)

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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GENERAL DESCRIPTION (cont'd)Proposed Development (cont'd)

The proposed 3-bedroom apartment has a floor area of 800 square feet.

The building accommodation and floor finishes are planned as follows:-

Accommodation	Floor Finishes
Living with	Ceramic Tiles
Attached Balcony	Cement Render
Dining	Ceramic Tiles
Two (2) Bedrooms	Ceramic Tiles
Master Bedroom with	Ceramic Tiles
Attached Bathroom/Wc	Ceramic Tiles
Kitchen	Ceramic Tiles
Common Bathroom/Wc	Ceramic Tiles

The standard specifications as stated in the approved building plans are as follows:-

The buildings will be constructed of reinforced concrete framework with plastered brickwalls, reinforced concrete floors and reinforced concrete flat roof covered with metal roofing.

Doors will be of hardwood decorative door for the main entrance. Other doors will be generally of PVC and timber flush door.

Windows will be generally of aluminium framed glass panels and aluminium framed sliding / top hung glass windows.

Ceiling will be generally of asbestos free ceiling sheets and skim coated concrete.

Floor finishes will be generally of ceramic tiles and cement render.

Vertical access will be via passenger lift, service lift and staircases for each block.

VALUATION CERTIFICATE FROM CH WILLIAMS (CONT'D)

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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METHOD OF VALUATION

The subject property is valued using the Income Approach (Residual Method). In the Income Approach (Residual Method), consideration is given to the gross development value of the project and deducting therefrom the estimated costs of development including preliminaries, development and statutory charges, construction costs and professional fees, financing charges and developer's profit and resultant amount deferred over a period of time for the completion of the project.

We have only adopted one (1) method of valuation in arriving at our valuation as the subject property is an on-going residential development.

In view of the above, we are in the opinion that the Income Approach (Residual Method) is the most appropriate method of valuation to arrive at the market value of the property taking into consideration of the total units sold, amount billed and amount certified for the construction work done.

VALUE CONSIDERATION**Income Approach (Residual Method)****Gross Development Value (GDV)**

The ongoing residential development known as Pangsapuri Seri Iskandar is located within Perak Tengah district. According to the property market report by the Valuation and Property Services Department (JPPH), there is no other existing supply of high-rise residential project noted within Perak Tengah district.

The selling price for the apartments are as follows:-

Selling Price (RM)	
Intermediate Unit	Corner Unit
From RM199,800/- to RM209,800/-	From RM209,800/- to RM219,800/-

As per the Sales Status dated 30 September 2018, 723 units of the apartment have been sold whilst 55 units have been reserved and 2 units have yet to be sold. The GDV is as follows:-

	Net Selling Price	Amount Billed as at 30 September 2018	Balance Amount
Sold	RM86,788,400/-	RM46,210,100/-	RM40,578,300/-
Reserved	RM6,634,000/-	-	RM6,634,000/-
Unsold	RM249,600/-	-	RM249,600/-
Total	RM93,672,000/-	RM46,210,100/-	RM47,461,900/-

The GDV/ Net Selling Price is derived by the deduction of rebates from the Selling Price.

Given the take up rate of approximately 99.74%, the proposed selling price of the apartment units is generally fair, reasonable and affordable.

VALUATION CERTIFICATE FROM CH WILLIAMS (CONT'D)



C H Williams Talhar & Wong Sdn Bhd (18149-U)

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VALUE CONSIDERATION (cont'd)Gross Development Cost (GDC)

The Gross Development Cost (GDC) are based on the following material parameters:-

Item	Rate Adopted	Remarks
Earthwork / Piling / Retaining Wall / Construction Cost	<u>Contract Sum</u> RM56,057,040 <u>Amount Certified</u> RM29,149,661 <u>Balance</u> RM26,907,379	<p>Based on Juru Ukur Bahan Malaysia (JUBM) & Arcadis Construction Cost handbook, the average construction cost for average standard high-rise apartments is in the range of RM141 to RM198 per square foot for Kuala Lumpur whilst for Penang, it is in the range of RM113 to RM163 per square foot. Average construction cost for Perak is not available in the JUBM handbook. However, the construction cost for Perak is generally lower than Kuala Lumpur and Penang.</p> <p>The subject property is a low-medium cost apartment development consisting 780 apartment units. It is located in a suburban town in Perak</p> <p>The construction cost of the subject property is approximately RM67 per square foot. The construction cost is considered fair and reasonable due to its location and nature of product.</p>
Finance Cost	<u>Balance</u> RM686,183	<p>We have adopted a finance cost rate of 8.50% on 30% of the total balance estimated building and infrastructure costs to be incurred for balance of the development period.</p> <p>The finance cost of 8.50% per annum is based on our enquiries with financial institutions, i.e. Base Lending Rate (BLR) 6.90% per annum plus security margin of 1.00% to 2.50% per annum</p>
Professional Fees	<u>Contract Sum</u> RM2,334,400 <u>Amount Certified</u> RM1,382,644 <u>Balance</u> RM951,756	<p>The professional fees to be incurred are for the various professionals engaged in the different stages of development and construction.</p> <p>The professional fees is about 4.2% of the construction cost. The cost is slightly below the industry average which is generally in the range of 5% to 8% due to this is a low-medium cost apartment development.</p>

VALUATION CERTIFICATE FROM CH WILLIAMS (CONT'D)

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref: WTW/07/V/006337/18/TWS
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VALUE CONSIDERATION (cont'd)**Gross Development Cost (GDC)** (cont'd)

Item	Rate Adopted	Remarks
Developer's Profit & Risk	10%	<p>Like any other enterprises, a developer undertaking a development will seek to make profit. The target levels of profit will depend on the nature of the development and allied risks, market condition, size, development mix, competition for development schemes in the market and period of development. The profit has to be adequately attractive to induce the developer.</p> <p>Our surveys and enquiries with developers revealed that generally the rate of return of about 10% to 20% of Gross Development Value (GDV) is required for a developer to commit to a project development. We've adopted 10% for our valuation purpose as the project is almost fully sold.</p>

Development Period and Discount Rate

Based on the Interim Payment Certificate No. 15 by Yik Wang Development Sdn Bhd., the total work done as at 30 September 2018 is 52%.

The estimated balance development period for completion of the whole is approximately 2 years.

The estimated balance development period for completion of the whole development and issued with Certificate of Completion and Compliance (CCC) and the balance units to be fully taken up is approximately 2 years. The estimated development period is considered realistic for an on-going development which is only halfway towards the completion period.

The Residual Value is deferred at a discount rate of 8.50% in tandem with the finance rate over the estimated development period of 2 years.

Based on the above, the Residual Value derived by deducting the Gross Development Cost (GDC) from the Gross Development Value (GDV) is computed as follows:

Gross Development Value (GDV)	RM47,461,900
Gross Development Cost (GDC)	RM42,960,888
Residual Value	RM4,501,012
Present Value for 2.00 years @ 8.50%	0.8495
Market Value	RM3,823,408
Say	RM3,800,000

VALUATION CERTIFICATE FROM CH WILLIAMS (CONT'D)

CBRE | WTW

C H Williams Talhar & Wong Sdn Bhd (18149-U)


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VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** with permission to sell, charge, lease, transfer and free from all encumbrances at **RM3,800,000/- (Ringgit Malaysia : Three Million and Eight Hundred Thousand Only)**.

Yours faithfully
for and on behalf of
C H Williams Talhar & Wong Sdn Bhd



Sr HENG KIANG HAI
MBA (Real Estate), B.Surv (Hons) Prop.Mgt,
MRICS, FRISM, MPEPS, MMIPPM
Registered Valuer (V-486)

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the completeness and accuracy of the information and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST**2.1. AmInvestment Bank**

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of DBE Group.

As at the LPD, DBE does not maintain any facilities with AmBank Group. However, DBE is currently in the midst of engaging with AmBank Group to extend credit facilities to DBE Group for its funding requirement. Any such credit facilities to be extended to DBE Group by AmBank Group are in the ordinary course of its banking business and are not in contemplation of AmInvestment Bank being appointed as the Principal Adviser for the Proposal. AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposal does not give rise to a conflict of interest situation.

2.2. Independent Adviser

Mercury Securities, being the Independent Adviser to the non-interested Directors and non-interested Shareholders for the Proposal, has given and has not subsequently withdrawn its written consent for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities has confirmed that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as Independent Adviser to the non-interested Directors and non-interested Shareholders for the Proposal.

2.3. Valuer

CH Williams, being the independent valuer for the Proposal, has given and has not subsequently withdrawn its written consent for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

CH Williams has confirmed that its role as the independent valuer for the Proposal does not give rise to a conflict of interest situation.

FURTHER INFORMATION (CONT'D)

3. MATERIAL LITIGATION, MATERIAL COMMITMENTS, CONTINGENT LIABILITIES AND MATERIAL CONTRACTS**3.1. Material litigation**

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings, which may materially or adversely affect the financial position or business of the Group.

3.2. Material commitments

Save for the Landowner's Entitlement and the remaining construction cost for the Project, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred which upon becoming enforceable may have a material impact on the financial position or the business of DBE Group.

3.3. 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 due or enforceable, may have a material impact on the financial results or positions of DBE Group.

3.4. Material contracts

Save for the DRA and Supplemental DRA, which is the subject matter of this Circular, as well as the material contracts as disclosed as below, DBE Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past two (2) years immediately preceding the LPD:

- (a) Joint development agreement dated 5 February 2018 between DBE Development (as joint developer) and Misi Jutari Sdn Bhd (as landowner and developer) in respect of the construction and development of a Malay reserve housing scheme known as "Taman Desa Harmoni" with a development profit estimated at RM6.96 million; and
- (b) Sale and purchase agreement dated 5 June 2018 between Glitter Holdings Sdn Bhd (as vendor) and DBE Development (as purchaser) in respect of the purchase of pieces of leasehold lands held under H.S.(D) 237603 to 237892 PT No. 42830 to 43119 and H.S.(D) 237897 PT No. 43124 in the Mukim of Sungai Terap, District of Kinta, State of Perak with a total land area measuring approximately 11.33 hectares for a total cash purchase consideration of RM5,390,000 ("**Sg Terap SPA**"). The Sg Terap SPA has been completed on 28 December 2018. The full payment of the purchase consideration will be made within 5 years from the date of the sale and purchase agreement.

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FURTHER INFORMATION (CONT'D)

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at No. 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang, Malaysia during normal business hours from Monday to Friday (except public holidays) following the date of this Circular, up to and including the date of the EGM:-

- (i) the Constitution of DBE;
- (ii) the audited consolidated financial statements of DBE for the past two (2) FYEs 31 December 2016 and 31 December 2017 and the latest unaudited consolidated financial statements of DBE for the FPE 31 December 2018;
- (iii) the letters of consent referred to in Section 2 of Appendix II of this Circular;
- (iv) the valuation report and valuation certificate from CH Williams referred to in Appendix I of this Circular; and
- (v) the material contracts referred to in Section 3.4 of Appendix II of this Circular.

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D.B.E. GURNEY RESOURCES BERHAD

(Company No. 535763-A)

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of D.B.E. Gurney Resources Berhad (“**DBE**” or the “**Company**”) will be held at Intan 1, The Orient Star Resort Lumut, Lot 203 & 366, Jalan Iskandar Shah, 32200 Lumut, Perak Darul Ridzuan on Monday, 27 May 2019 at 11:30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing with or without modifications the following resolution:

ORDINARY RESOLUTION 1

PROPOSED PARTICIPATION IN THE DEVELOPMENT AND ASSUMPTION OF THE DEVELOPMENT RIGHTS TO AN ONGOING DEVELOPMENT PROJECT OF 780 UNITS OF APARTMENTS KNOWN AS PANGSAPURI SERI ISKANDAR FOR A TOTAL CASH CONSIDERATION OF RM3,800,000 (“PROPOSAL”)

“**THAT** subject to the approvals of the relevant authorities/parties as set out in the Development Rights Agreement (“**DRA**”) dated 30 November 2018 and Supplemental DRA dated 11 January 2019 entered into between DBE Development Sdn Bhd (“**DBE Development**”) and Yik Wang Development Sdn Bhd, approval be and is hereby given to the Company’s wholly-owned subsidiary, DBE Development, to participate in the development and assumption of the development rights to an ongoing development project of 780 units of apartments known as Pangsapuri Seri Iskandar for a total cash consideration of RM3,800,000, upon to the terms and conditions as stated in the DRA and Supplemental DRA;

AND THAT the Directors of DBE Development be and are hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposal with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities, and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may consider necessary or expedient to implement, finalise and give full effect to the Proposal.”

BY ORDER OF THE BOARD

JESSLYN ONG BEE FANG (MAICSA 7020672)

ERIC TOH CHEE SEONG (MAICSA 7016178)

Company Secretaries

Penang

Dated this 10 April 2019

Notes:-

1. *Only members whose names appear on the Record of Depositors as at 17 May 2019 shall be entitled to attend, speak and vote at the Extraordinary General Meeting (“EGM”).*
2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
3. *A member shall be entitled to appoint not more than two proxies to attend and vote at the EGM. Where a member appoints more than one proxy, the appointment shall be invalid unless the member specifies the proportions of his/her holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act, 1991 (“SICDA”) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at No.54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang not less than 48 hours before the time set for holding the EGM or any adjournment thereof.*



D.B.E. GURNEY RESOURCES BERHAD

(Company No. 535763-A)
(Incorporated in Malaysia)

FORM OF PROXY

No of Shares Held	CDS Account No

I/We.....
(FULL NAME IN BLOCK LETTERS)

(NRIC No. /Passport No. /Company Registration No.)

of
(FULL ADDRESS)

being member/members of **D.B.E. GURNEY RESOURCES BERHAD**, do hereby appoint
..... NRIC No / Passport No.
(FULL NAME IN BLOCK LETTERS)

of
(FULL ADDRESS)

or failing him/her,..... NRIC No / Passport No.....
(FULL NAME IN BLOCK LETTERS)

of
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting (“EGM”) of the Company to be held at Intan 1, The Orient Star Resort Lumut, Lot 203 & 366, Jalan Iskandar Shah, 32200 Lumut, Perak Darul Ridzuan on Monday, 27 May 2019 at 11:30 a.m., or at any adjournment thereof, on the ordinary resolution as set out in the notice of the EGM as hereunder indicated:-

(Please indicate with an “X” in the spaces provided below on how you wish your vote to be cast. If no specific instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

RESOLUTION	FOR	AGAINST
Ordinary Resolution 1 – Proposal		

If more than one proxy is appointed, please specify below the proportion of your vote in percentage represented by each proxy :		
First Named Proxy		%
Second Named Proxy		%

Dated this day of 2019 :
Signature(s) of Member(s) / Common Seal



Notes:-

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
D.B.E. GURNEY RESOURCES BERHAD
(Company No. 535763-A)
No. 54-4-8, Wisma Sri Mata
Jalan Van Praagh
11600 Penang
Malaysia

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