

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

The sections pertaining to the Proposed Amendments (as defined herein) and the Proposed Change of Name (as defined herein) are prescribed as exempt documents pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and do not require the perusal of Bursa Securities prior to issuance. Bursa Securities has not perused the sections pertaining to the Proposed Amendments, the Proposed Change of Name and the Proposed Exemption (as defined herein).

Shareholders should rely on their own evaluation to assess the merits and risks of the Proposals (as defined herein) and the Proposed Change of Name. Bursa Securities takes no responsibility for the contents of this Circular and valuation certificate, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Pursuant to Paragraph 4.08(3)(g) of the Rules on Take-overs, Mergers and Compulsory Acquisitions ("**Rules**"), the Securities Commission Malaysia ("**SC**") has notified that it has no further comments to the contents of the independent advice letter ("**IAL**") for the Proposed Exemption. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the independent adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the IAL for the Proposed Exemption.



**D.B.E. GURNEY RESOURCES BERHAD**

Registration No: 200101000008 (535763-A)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-**

**PART A**

- (I) PROPOSED CONSOLIDATION OF EVERY TWENTY-FIVE (25) EXISTING ORDINARY SHARES IN D.B.E. GURNEY RESOURCES BERHAD ("DBE" OR "COMPANY") ("DBE SHARES" OR "SHARES") INTO ONE (1) DBE SHARE ("CONSOLIDATED SHARE") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER;
  - (II) PROPOSED ACQUISITIONS (AS DEFINED HEREIN);
  - (III) PROPOSED EXEMPTION UNDER PARAGRAPH 4.08(1)(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS TO BE SOUGHT BY LAGENDA LAND SDN BHD AND ITS PERSONS ACTING IN CONCERT ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE THE REMAINING DBE SHARES AND EXISTING FIVE-YEAR WARRANTS (2017/2022) CONSTITUTED BY THE DEED POLL DATED 20 JANUARY 2017, EXPIRING ON 22 JANUARY 2022 NOT ALREADY OWNED BY LAGENDA LAND SDN BHD AND ITS PACS UPON THE COMPLETION OF THE PROPOSED ACQUISITIONS ("PROPOSED EXEMPTION");
  - (IV) PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY TO FACILITATE THE CREATION AND ISSUANCE OF THE CONSIDERATION RCPS (AS DEFINED HEREIN) ("PROPOSED AMENDMENTS"); AND
  - (V) PROPOSED PRIVATE PLACEMENT OF UP TO 135,000,000 NEW CONSOLIDATED SHARES AT AN ISSUE PRICE TO BE DETERMINED AND TO PLACEE(S) TO BE IDENTIFIED AT A LATER STAGE
- (COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

**PART B**

**INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES TO THE NON-INTERESTED SHAREHOLDERS OF DBE IN RELATION TO THE PROPOSED ACQUISITIONS AND THE PROPOSED EXEMPTION**

**PART C**

**PROPOSED CHANGE OF NAME OF THE COMPANY FROM "D.B.E. GURNEY RESOURCES BERHAD" TO "LAGENDA PROPERTIES BERHAD" ("PROPOSED CHANGE OF NAME")**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser for Part A*



**AmInvestment Bank**

**AmInvestment Bank Berhad**

Registration No. 197501002220 (23742-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Independent Adviser for Part B*



**MERCURY SECURITIES SDN BHD**

Registration No. 198401000672 (113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolution in respect of the Proposals and the Proposed Change of Name will be tabled at the Extraordinary General Meeting ("**EGM**") of DBE which will be held fully virtual and entirely via remote participation and voting at the Broadcast Venue: Level 1, Conference Room, No.131, Persiaran PM2/1, Pusat Bandar Seri Manjung, Seksyen 2, 32040 Seri Manjung, Perak Darul Ridzuan, on Tuesday, 14 July 2020 at 11.30 a.m. or at any adjournment thereof. The Notice of the EGM together with the Proxy Form, Administrative Guide for Shareholders and this Circular are available at the Company's website at [www.dbegurney.com](http://www.dbegurney.com).

The Proxy Form 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 or submitted electronically through <https://web.vote2u.app>, not less than forty-eight (48) hours before the time for holding the EGM or at any adjournment thereof. Please follow the procedures provided in the Administrative Guide for Shareholders for the EGM in order to register, participate and vote remotely.

Last date and time for lodging the Form of Proxy : Sunday, 12 July 2020 at 11:30 a.m.  
Date and time of the EGM : Tuesday, 14 July 2020 at 11:30 a.m.

This Circular is dated 22 June 2020

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## DEFINITIONS

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For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply:-

<b>Act</b>	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
<b>AmBank Group</b>	:	AMMB Holdings Berhad (Registration No. 199101012723 (223035-V)) and its group of companies
<b>BBSAP</b>	:	Bandar Baru Setia Awan Perdana
<b>Blossom</b>	:	Blossom Eastland Sdn Bhd (Registration No. 200801034471 (835809-T))
<b>Blossom Completion Date</b>	:	The business day falling 30 business days after all the conditions precedent as set out in the Blossom SSA being obtained/fulfilled or waived (as the case may be), or such other date as may be agreed upon between Doh Properties and DBE, upon which the completion as contemplated under the Blossom SSA is to take place
<b>Blossom Group</b>	:	Collectively, Blossom and its subsidiaries
<b>Blossom Group Properties</b>	:	Collectively, the landbanks, on-going developments and inventories of Blossom Group, details of which are set out in Section 1.7 of Appendix I of this Circular
<b>Blossom Purchase Consideration</b>	:	The purchase consideration of up to RM642,546,412 pursuant to the Proposed Blossom Acquisition
<b>Blossom Related Party Advances</b>	:	The loans or advances extended by Doh Properties and its related parties and persons connected with it to Blossom Group amounting to an aggregate of RM21,800,677 as at 31 December 2019
<b>Blossom Sale Shares</b>	:	50,500,000 Blossom Shares, representing 100% of the issued share capital of Blossom
<b>Blossom Share(s)</b>	:	Ordinary share(s) in Blossom
<b>Blossom SSA</b>	:	Conditional share sale agreement dated 26 February 2020 entered into between DBE and Doh Properties for the purpose of the Proposed Blossom Acquisition
<b>Valuation Certificate</b>	:	Valuation certificate dated 29 May 2020 by Knight Frank in regards to the valuation of Blossom Group Properties
<b>Board</b>	:	The Board of Directors of DBE
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
<b>CCM</b>	:	Companies Commission of Malaysia
<b>Circular</b>	:	This circular dated 22 June 2020 in relation to the Proposals
<b>CMCO</b>	:	Conditional Movement Control Order
<b>CMSA</b>	:	Capital Markets and Services Act 2007
<b>Completed Private Placement</b>	:	The private placement announced on 30 January 2020 which was deemed completed with the issuance of 159,000,000 DBE Shares as announced on 18 February 2020

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**DEFINITIONS (CONT'D)**

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<b>Constitution</b>	: Constitution of the Company
<b>Consideration RCPS</b>	: The new RCPS to be issued by DBE at the Issue Price as part satisfaction of the Blossom Purchase Consideration pursuant to the Proposed Blossom Acquisition
<b>Consideration Share(s)</b>	: The new Consolidated Shares to be issued by DBE at the Issue Price as part satisfaction of the Blossom Purchase Consideration pursuant to the Proposed Blossom Acquisition and the Yik Wang Purchase Consideration pursuant to the Proposed Yik Wang Acquisition
<b>Consolidated Share(s)</b>	: Ordinary shares in DBE following the completion of the Proposed Share Consolidation
<b>Consolidated Warrants</b>	: Warrants B in DBE following the completion of the Proposed Share Consolidation
<b>DBE or Company</b>	: D.B.E. Gurney Resources Berhad (Registration No. 200101000008 (535763-A))
<b>DBE Group or Group</b>	: Collectively, DBE and its subsidiaries
<b>DBE RCPS</b>	: Redeemable convertible preference shares in DBE
<b>DBE Share(s) or Share(s)</b>	: Ordinary share(s) in DBE
<b>DDJM</b>	: Dato' Doh Jee Ming
<b>DDTL</b>	: Dato' Doh Tee Leong
<b>DDJC</b>	: Dato' Doh Jee Chai
<b>DDNC</b>	: Dato' Doh Neng Chiong
<b>DLHK</b>	: Datin Lee Hong King
<b>Doh Properties</b>	: Doh Properties Holdings Sdn Bhd (Registration No. 201501040511 (1165829-P))
<b>EGM</b>	: Extraordinary general meeting of the Company
<b>Entitlement Date</b>	: A date to be determined and announced later by the Board, at the close of business on which the Shareholders must be registered in the Record of Depositors of the Company as at 5.00 p.m. in order to be entitled to participate in the Proposed Share Consolidation
<b>EPS</b>	: Earnings per share
<b>FYE</b>	: Financial year(s) ended / ending, as the case may be
<b>GDC</b>	: Gross development cost
<b>GDP</b>	: Gross domestic product
<b>GDV</b>	: Gross development value
<b>Guaranteed Years</b>	: Collectively, the FYE 31 December 2020 and FYE 31 December 2021 in relation to the Profit Guarantee

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**DEFINITIONS (CONT'D)**

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<b>IAL</b>	: Independent Advice Letter dated 22 June 2020 issued by the Independent Adviser in relation to the Proposed Acquisitions and the Proposed Exemption as set out in Part B of this Circular
<b>Interested Directors</b>	: Collectively, DDJM, DDTL and DDJC
<b>Interested Major Shareholders</b>	: Collectively, Doh Properties, Setia Awan, DDJM, DDTL and DDJC
<b>Issue Price</b>	: The issue price of RM0.7975 for each Consideration Share, Settlement Share and Consideration RCPS
<b>Knight Frank</b>	: Knight Frank Malaysia Sdn Bhd (Registration No. 200201017816 (585479-A))
<b>Ladang Awana</b>	: Ladang Awana Sdn Bhd (Registration No. 196801000437 (8022-T))
<b>LAT</b>	: Loss after tax
<b>Legenda</b>	: Legenda Land Sdn Bhd (Registration No. 201501040633 (1165951-X))
<b>LTD</b>	: 25 February 2020, being the last traded day prior to the date of the SSAs
<b>LTI</b>	: Legenda Teluk Intan
<b>LBT</b>	: Loss before tax
<b>LPD</b>	: 12 June 2020, being the latest practicable date prior to the printing of this Circular
<b>LPS</b>	: Loss per share
<b>MCO</b>	: Movement Control Order
<b>Mercury Securities or Independent Adviser</b>	: Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W)), appointed by the Board on 26 February 2020
<b>MFRS</b>	: Malaysian Financial Reporting Standards
<b>MGO</b>	: Mandatory take-over offer
<b>MMLR</b>	: Main Market Listing Requirements of Bursa Securities as amended from time to time
<b>NA</b>	: Net assets
<b>NBV</b>	: Net book value
<b>PAC(s)</b>	: Person(s) acting in concert in accordance with Section 216 of the CMSA. As at the LPD, Doh Properties, DDJM, DDJC, DDTL, DDNC, DLHK and Setia Awan are the PACs of Legenda for the purpose of the Proposed Exemption
<b>PAT</b>	: Profit after tax
<b>PBT</b>	: Profit before tax
<b>PER</b>	: Price-to-earnings

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**DEFINITIONS (CONT'D)**

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<b>Placement Shares</b>	:	Up to 135,000,000 new Consolidated Shares to be issued pursuant to the Proposed Private Placement
<b>Principal Adviser / AmlInvestment Bank</b>	:	AmlInvestment Bank Berhad (Registration No. 197501002220 (23742-V))
<b>Profit Guarantee</b>	:	The undertaking by the vendors of Yik Wang that Yik Wang shall achieve a cumulative PAT of RM10.00 million in the Guaranteed Years
<b>Proposals</b>	:	Collectively, the Proposed Acquisitions, the Proposed Exemption, the Proposed Amendments, the Proposed Share Consolidation and the Proposed Private Placement
<b>Proposed Acquisitions</b>	:	Collectively, the Proposed Blossom Acquisition, the Proposed Rantau Acquisition and the Proposed Yik Wang Acquisition
<b>Proposed Amendments</b>	:	Proposed amendments to the Constitution of the Company to facilitate <i>inter alia</i> the creation and issuance of the Consideration RCPS
<b>Proposed Change of Name</b>	:	Proposed change of name of the Company from "D.B.E. Gurney Resources Berhad" to "Lagenda Properties Berhad"
<b>Proposed Exemption</b>	:	Proposed exemption to be sought by Lagenda and its PACs under Paragraph 4.08(1)(a) of the Rules from the obligation to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon completion of the Proposed Acquisitions
<b>Proposed Blossom Acquisition</b>	:	Proposed acquisition of the Blossom Sale Shares by DBE at the Blossom Purchase Consideration
<b>Proposed Rantau Acquisition</b>	:	Proposed acquisition of the Rantau Sale Shares by DBE at the Rantau Purchase Consideration
<b>Proposed Yik Wang Acquisition</b>	:	Proposed acquisition of the Yik Wang Sale Shares by DBE at the Yik Wang Purchase Consideration
<b>Proposed Private Placement</b>	:	Proposed private placement of up to 135,000,000 new Consolidated Shares at an issue price to be determined by the Board and to placee(s) to be identified at a later stage
<b>Proposed Share Consolidation</b>	:	Proposed consolidation of every twenty-five (25) existing DBE Shares into one (1) Consolidated Share held on an Entitlement Date to be determined later
<b>Public Spread Requirement</b>	:	Requirement under Paragraph 8.02(1) of the MMLR which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities
<b>Rantau</b>	:	Rantau Urusan (M) Sdn Bhd (Registration No. 200001016286 (518893-U))
<b>Rantau Completion Date</b>	:	The business day falling 30 business days after all the conditions precedent as set out in the Rantau SSA being obtained/fulfilled or waived (as the case may be), or such other date as may be agreed upon between DDJM, DDTL, DDJC and DBE, upon which the completion as contemplated under the Rantau SSA is to take place
<b>Rantau Sale Shares</b>	:	1,000,000 Rantau Shares representing 100% of the issued share capital of Rantau

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**DEFINITIONS (CONT'D)**

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<b>Rantau Purchase Consideration</b>	: The total purchase consideration of RM148,269,909 pursuant to the Proposed Rantau Acquisition
<b>Rantau Related Party Advances</b>	: The loans or advances extended by DDJM, DDTL and DDJC and their related parties and persons connected with them to Rantau amounting to an aggregate of RM11,109,067 as at 31 December 2019
<b>Rantau Share(s)</b>	: Ordinary share(s) in Rantau
<b>Rantau SSA</b>	: Conditional share sale agreement dated 26 February 2020 entered into between DBE, DDJM, DDTL and DDJC for the purpose of the Proposed Rantau Acquisition
<b>RCPS Undertaking</b>	: An undertaking dated 26 February 2020 given by the Vendors for the purposes of ensuring compliance of the Public Spread Requirement in the event of conversion of the Consideration RCPS. Further details of the undertaking are set out in Section 2.10 of Part A of the Circular
<b>Retention RCPS</b>	: Up to 76,550,572 Consideration RCPS to be allotted and issued on the completion date of the Blossom SSA or upon the date of completion of the sale and purchase of the Uncompleted Portion of Teluk Intan Land, whichever is later
<b>RCPS</b>	: Redeemable convertible preference shares in DBE
<b>RM and sen</b>	: Ringgit Malaysia and sen, respectively
<b>RNAV</b>	: Realisable net asset value
<b>Rules</b>	: The Rules on Take-overs, Mergers and Compulsory Acquisitions of the SC, as amended from time to time
<b>SC</b>	: Securities Commission of Malaysia
<b>Setia Awan</b>	: Setia Awan Plantation Sdn Bhd (Registration No. 200401007541 (646045-X))
<b>Settlement Shares</b>	: The new Consolidated Shares to be issued by DBE at the Issue Price as full settlement of the Blossom Related Party Advances and Rantau Related Party Advances
<b>Shareholders</b>	: Registered holders of DBE Shares
<b>Sqm</b>	: Square meters
<b>SSAs</b>	: Collectively, the Blossom SSA, the Rantau SSA and the Yik Wang SSA
<b>SSA Cut-Off Date</b>	: A period of six (6) months from the date of the respective SSAs, or such later date as the parties may mutually agree upon
<b>Taraf</b>	: Taraf Nusantara Sdn Bhd (Registration No. 201401039828 (1115974-K)), a wholly owned subsidiary of Blossom
<b>Target Companies</b>	: Collectively, Blossom, Rantau and Yik Wang
<b>Teluk Intan SPA</b>	: Sale and purchase agreement dated 22 May 2017 entered into between Taraf and Ladang Awana to acquire the Teluk Intan Land, as amended by a letter of extension dated 21 April 2018 and a supplemental letter dated 30 December 2019

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**DEFINITIONS (CONT'D)**

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<b>Teluk Intan Land</b>	: Lands under a mixed development known as Lagenda Teluk Intan consisting of several phases of on-going developments and vacant lands located within Mukim Durian Sebatang, Perak
<b>Triprise</b>	: Triprise Sdn Bhd (Registration No. 199401043027 (328715-H))
<b>Uncompleted Portion of Teluk Intan Land</b>	: Phase 2, Phase 3A as well as the 4 plots of agricultural lands forming part of the Phase 1 of the Teluk Intan Land, whereby the sale and purchase by Taraf from Ladang Awana has yet to be completed as at the date of the SSAs
<b>Vendors</b>	: Collectively, Doh Properties, DDJM, DDTL, DDJC, DDNC and DLHK
<b>WVAP</b>	: Volume-weighted average market price
<b>WACC</b>	: Weighted average cost of capital
<b>Warrants B</b>	: 580,644,468 outstanding five-year warrants (2017/2022) as at the LPD issued in registered form and constituted by the deed poll dated 20 January 2017 and expiring on 22 January 2022
<b>Yik Wang</b>	: Yik Wang Trading Sdn Bhd (Registration No. 200401010109 (648612-V))
<b>Yik Wang Completion Date</b>	: The business day falling 30 business days after all the conditions precedent as set out in the Yik Wang SSA being obtained/fulfilled or waived (as the case may be), or such other date as may be agreed upon between DDJM, DDTL, DDJC, DDNC, DLHK and DBE, upon which the completion as contemplated under the Yik Wang SSA is to take place
<b>Yik Wang Sale Shares</b>	: 4,000,000 Yik Wang Shares, representing 100% of the issued share capital of Yik Wang
<b>Yik Wang Purchase Consideration</b>	: The purchase consideration of up to RM32,500,000 pursuant to the Proposed Yik Wang Acquisition
<b>Yik Wang Related Party Advances</b>	: The loans or advances extended by DDJM, DDTL, DDJC, DDNC and DLHK and their related parties and persons connected with them to Yik Wang amounting to an aggregate of RM129,651 as at 31 December 2019
<b>Yik Wang Share(s)</b>	: Ordinary share(s) in Yik Wang
<b>Yik Wang SSA</b>	: Conditional share sale agreement dated 26 February 2020 entered into between DBE, DDJM, DDTL, DDJC, DDNC and DLHK for the purpose of the Proposed Yik Wang Acquisition

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**DEFINITIONS (CONT'D)**

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Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

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

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

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

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**PART A**

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

## EXECUTIVE SUMMARY

**THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION ON THE PROPOSALS. PLEASE READ THIS CIRCULAR AND THE APPENDICES CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING AT OUR FORTHCOMING EGM.**

We are seeking our shareholders approval on the Proposals. Our Board (save for the Interested Directors) recommends that you vote **IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

### 1. SUMMARY OF THE PROPOSALS

#### 1.1. Proposed Acquisitions

- The Proposed Acquisitions entails DBE to purchase the entire equity interest of the Target Companies from the Vendors. In view of the interest of the Vendors in DBE, the Proposed Acquisitions are deemed as related party transactions. The summary of the Proposed Acquisitions are set out as below:-

Target Companies	Purchase Consideration	Method of Settlement	Details of business
Blossom Group (principally involved in property development)	Up to RM642.55 million	(i) RM71.38 million via issuance of 89,508,542 Consideration Shares; and  (ii) Up to RM571.16 million via issuance of up to 716,192,288 Consideration RCPS (Note (A)).  <u>Note (A):-</u>  <i>Up to RM61.05 million via issuance of up to 76,550,572 Consideration RCPS, which will only be payable upon completion of the Teluk Intan SPA or Blossom Completion Date, whichever is later.</i>	<ul style="list-style-type: none"> <li>Currently undertaking:- <ul style="list-style-type: none"> <li>➢ affordable township development, namely BBSAP, LTI, Taman Mulia and Setia Residence with remaining GDV of RM2.50 billion and GDC of RM1.36 billion.</li> <li>➢ On-going mixed development of Taman Tronoh Akasia with remaining GDV of RM16 million and GDC of RM12 million.</li> <li>• Total vacant land banks of 1,192 acres / 4,823,853 sqm.</li> </ul> </li> </ul>
Rantau (principally involved in project management for building construction)	RM148.27 million	To be fully satisfied via cash.	<ul style="list-style-type: none"> <li>Orderbook of RM1.17 billion as at 31 December 2019, comprising mainly the development projects undertaken by Blossom Group, with expected development period of up to October 2023.</li> </ul>

**EXECUTIVE SUMMARY (CONT'D)**

<b>Target Companies</b>	<b>Purchase Consideration</b>	<b>Method of Settlement</b>	<b>Details of business</b>
Yik Wang (principally involved in trading of building materials and hardware)	Up to RM32.50 million comprising:- <ul style="list-style-type: none"> <li>Tranche 1: RM17.06 million; and</li> <li>Tranche 2: RM15.44 million</li> </ul>	(i) Tranche 1 (To be settled on the Yik Wang Completion Date):- <ul style="list-style-type: none"> <li>RM1.73 million via cash; and</li> <li>RM15.33 million via 19,225,322 Consideration Shares.</li> </ul> (ii) Tranche 2 (To be settled once the Profit Guarantee has been achieved):- <ul style="list-style-type: none"> <li>RM15.44 million via cash.</li> </ul>	<ul style="list-style-type: none"> <li>Recorded revenue of RM87.37 million and PAT of RM2.63 million in the FYE 31 December 2019.</li> </ul>

- In addition, DBE will also settle and repay the related party advances of the Target Companies according to the following:-

<b>Target Companies</b>	<b>Related Party Advances (RM'mil)</b>	<b>Settlement</b>
Blossom Group	21.80	The Blossom Related Party Advances will be settled and repaid via the issuance of 27,336,272 Settlement Shares.
Rantau	11.11	The Rantau Related Party Advances will be settled and repaid via the issuance of 13,929,865 Settlement Shares.
Yik Wang	0.13	The Yik Wang Related Party Advances will be settled and repaid via cash.
<b>TOTAL</b>	<b>33.04</b>	

- The settlement of purchase consideration together with the related party advances will be made to Lagenda, a company nominated by the Vendors.

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## **EXECUTIVE SUMMARY (CONT'D)**

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### **1.2. Proposed Share Consolidation**

- Proposed consolidation of every twenty-five (25) existing DBE Shares into one (1) Consolidated Share.

### **1.3. Proposed Exemption**

- Upon completion of the Proposed Acquisitions, the shareholdings of:-
  - (i) Lagenda in DBE will increase from 0% to 56.93%; and
  - (ii) Lagenda and its PACs in DBE from 35.13% to 72.06%

and hence Lagenda, individually and collectively with its PACs will be obliged to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon the completion of the Proposed Acquisitions. Pursuant thereto, Lagenda and its PACs will seek SC's approval for the Proposed Exemption.

### **1.4. Proposed Private Placement**

- Entails the issuance of 135 million Placement Shares, representing up to approximately 13.78% of the Company's enlarged issued share capital post Proposed Acquisitions (after adjusting for the Proposed Share Consolidation and post conversion of the Consideration RCPS).
- The issue price and the placee(s) have yet to be determined at this juncture but the Placement Shares will be issued at a discount of not more than ten percent (10%) to the 5-day VWAP of the Consolidated Shares up to and including the price-fixing date.
- Based on indicative issue price of RM0.80 per Placement Share, the Proposed Private Placement will raise proceeds of RM108 million, to be utilised for working capital for the enlarged DBE Group's development projects, repayment of bank borrowings and expenses related to the Proposals.

### **1.5. Proposed Amendments**

- To facilitate the issuance of the Consideration RCPS.

## **2. RATIONALE FOR THE PROPOSALS**

### **2.1 Proposed Acquisitions**

- To reaffirm the Group's expansion efforts in order to continuously increase its presence in the property development segment.
- In line with DBE's long-term strategic plan to augment its property development businesses and is expected to sustain the property development segment of the DBE Group going forward.
- Significantly scale up its property development businesses via the following:-
  - (i) ability to participate in township developments (BBSAP, LTI, Taman Mulia, Setia Residence) which will provide sustainable earnings visibility for the Group;
  - (ii) opportunities to tap into the existing on-going projects of the Blossom Group (Taman Tronoh Akasia); and
  - (iii) enhance the land banks of the DBE Group via access to the Blossom Group's existing vacant land banks with future development potential.

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**EXECUTIVE SUMMARY (CONT'D)**

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- Proposed Rantau Acquisition will enable DBE Group to minimise future recurrent related party transactions and have better risk management and operational control, including amongst others on costs and timing of completion of its' development projects.
- Proposed Yik Wang Acquisition will enable the DBE Group to better control its procurement of building materials for its development projects, allowing the enlarged DBE Group to have better planning and control over the cost of its construction projects.

**2.2 Proposed Exemption**

- To relieve Lagenda individually and collectively with its PACs from the obligation to undertake the MGO following the completion of the Proposed Acquisitions.

**2.3 Proposed Amendments**

- To facilitate the creation and issuance of the Consideration RCPS and to incorporate the requisite new provisions to set out the rights relating to the Consideration RCPS.

**2.4 Proposed Share Consolidation**

- To increase the Company's profile amongst investors, research houses and fund managers and to rationalise DBE's share capital by reducing the number of shares in issue and the resultant higher theoretical adjusted reference price.

**2.5 Proposed Private Placement**

- To enable DBE to raise funds without relying on equity funding from the existing shareholders.
- To reduce the enlarged DBE Group's interest-bearing bank borrowings and improve its gearing ratio.
- To allow the enlarged DBE Group to fund its property development projects as well as look out for potential investment opportunities to support the Group's expansion in its property development business.
- To improve the institutional shareholdings mix in DBE and the liquidity of DBE Shares.

**3. INTER-CONDITIONALITY AND APPROVALS REQUIRED**

- The Proposals are inter-conditional upon one another.
- The Proposals will be implemented in stages. Proposed Share Consolidation shall be implemented prior to the Proposed Acquisitions and the Proposed Private Placement.
- The Proposals are subject to, *inter-alia* the following approvals being obtained:-
  - (i) The approval of Bursa Securities, for the Proposed Share Consolidation, listing of and quotation for the Consideration Shares, the Settlement Shares, new DBE Shares to be issued arising from the conversion of the Consideration RCPS and the Placement Shares on the Main Market of Bursa Securities is required. The approval was obtained vide its letter dated 29 May 2020.
  - (ii) The approval of the Shareholders at an EGM to be convened for the Proposals is required;
  - (iii) The approval of SC for the Proposed Exemption is required; and
  - (iv) Any other relevant authorities and/or parties, if required.



**D.B.E. GURNEY RESOURCES BERHAD**

Registration No: 200101000008 (535763-A)  
(Incorporated in Malaysia)

**Registered Office:**

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

22 June 2020

**Board of Directors**

Dato' Doh Tee Leong (*Non-Independent Non-Executive Chairman*)  
Dato' Doh Jee Ming (*Managing Director*)  
Dato' Doh Jee Chai (*Non-Independent Non-Executive Director*)  
Mohamad Ali Bin Ariffin (*Independent Non-Executive Director*)  
Looi Sze Shing (*Independent Non-Executive Director*)

**To: The Shareholders**

Dear Sir / Madam,

- (I) **PROPOSED SHARE CONSOLIDATION;**
- (II) **PROPOSED ACQUISITIONS;**
- (III) **PROPOSED EXEMPTION;**
- (IV) **PROPOSED AMENDMENTS; AND**
- (V) **PROPOSED PRIVATE PLACEMENT**

**(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")**

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**1. INTRODUCTION**

An Investment Bank had on 26 February 2020, on behalf of the Board, announced that the Company had, on even date entered into:-

- (i) the Blossom SSA for the acquisition of the Blossom Sale Shares for the Blossom Purchase Consideration of up to RM642,546,412;
- (ii) the Rantau SSA for the acquisition of the Rantau Sale Shares for the Rantau Purchase Consideration of RM148,269,909; and
- (iii) the Yik Wang SSA for the acquisition of the Yik Wang Sale Shares for the Yik Wang Purchase Consideration of up to RM32,500,000.



In addition, AmInvestment Bank had also, on behalf of the Board, announced that concurrently with the Proposed Acquisitions, the Company proposed to undertake the following:-

- (i) Proposed Share Consolidation;
- (ii) Proposed Exemption;
- (iii) Proposed Amendments; and
- (iv) Proposed Private Placement.

On 1 June 2020, AmInvestment Bank had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 29 May 2020, granted its approval for the following:-

- (i) the Proposed Share Consolidation;
- (ii) listing of and quotation for:-
  - (a) the 108,733,864 Consideration Shares and 41,266,137 Settlement Shares;
  - (b) up to 716,192,288 Consolidated Shares to be issued pursuant to the conversion of the Consideration RCPS; and
  - (c) up to 135,000,000 Consolidated Shares to be issued pursuant to the Proposed Private Placement;

on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in Section 13 of Part A of this Circular.

In view of the interests of the Interested Directors and the Interested Major Shareholders as disclosed in Section 15 of Part A of this Circular, the Proposed Acquisitions are deemed as related party transactions pursuant to Paragraph 10.08 of the MMLR. Accordingly, the Board had on 26 February 2020, appointed Mercury Securities as the Independent Adviser to provide the non-interested Directors and non-interested Shareholders in respect of the Proposed Acquisitions with:-

- (i) an opinion as to whether the Proposed Acquisitions are fair and reasonable and whether the Proposed Acquisitions are detrimental to the non-interested Shareholders; and
- (ii) a recommendation as to whether the non-interested Shareholders should vote for or against the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

In addition, pursuant to Paragraph 3 of the Rules, the Board had also appointed Mercury Securities to advise the non-interested directors and non-interested Shareholders in relation to the Proposed Exemption. Mercury Securities subsequently, vide its letter dated 2 March 2020, declared its independence from any conflict of interest or potential conflict of interest to the SC in relation to its role as the Independent Adviser for the Proposed Exemption, which was subsequently noted by the SC on 6 March 2020.

For information purposes, the Proposed Acquisitions will not result in a significant change in business direction or policy of DBE Group pursuant to the MMLR and the SC's Equity Guidelines as there is no change in the core business of DBE Group as both the Target Companies and DBE Group are predominantly involved in property development.

DBE had obtained its shareholders' approval to diversify its existing business into inter-alia property development on 16 April 2018 ("**Diversification Approval**"). Post Diversification Approval, the Company had undertaken various property development undertakings via *inter-alia*, acquisition of land, development rights and/or entering into joint ventures. Arising therefrom, the revenue and PAT contribution of property development to the Group are summarised as follows:-

Segmental information	Audited FYE 31 December	
	2019 (RM'000)	2018 (RM'000)
<b>Revenue</b>		
Property development	71,825	12,742
Poultry	-	95,490
Investment holding	-	-
<b>DBE Group</b>	<b>71,825</b>	<b>108,232</b>
<b>PAT / (LAT)</b>		
Property development	12,257	4,521
Poultry	-	(29,251)
Investment holding	(2,480)	(2,173)
Discontinued operations	(2,086) <sup>(i)</sup>	-
<b>DBE Group</b>	<b>7,691</b>	<b>(26,903)</b>

**Note:-**

- (i) Being the contribution from DBE Group's poultry segment which had been disposed during the financial year.

Since the Diversification Approval and taking into consideration the losses recorded by its poultry division, the Group's property development segment was the main profit contributor to the Group for the FYE 31 December 2018 resulting in property development becoming the core business of DBE Group since FYE 31 December 2018. Subsequently, with the disposal of the Group's poultry related businesses during the FYE 2019, resulting in the Group holding an associate stake in the poultry division, the property development division became the sole revenue and profit contributor to the DBE Group in FYE 31 December 2019.

Additionally, DDJM, DDJC and DDTL will remain as the controlling shareholders of DBE pursuant to their direct shareholdings in Lagenda and indirect shareholdings in Doh Properties through Setia Awan. Also, the Proposed Acquisitions will not result in a significant change in the business direction arising from the changes to the composition of the Board. Please refer to Section 10.2 of Part A of this Circular for further details of the substantial shareholders' shareholdings in DBE.

**THE PURPOSE OF THIS CIRCULAR TOGETHER WITH THE APPENDICES IS TO PROVIDE YOU WITH RELEVANT INFORMATION PERTAINING TO THE PROPOSALS TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE SET OUT IN THIS CIRCULAR.**

**SHAREHOLDERS OF DBE ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES, INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

**YOU SHOULD TAKE NOTE THAT IN THE EVENT OF ANY RESTRICTION TO MOVEMENT DUE TO FUTURE IMPLEMENTATION OF THE MCO OR CMCO BY THE GOVERNMENT OF MALAYSIA OR ANY OTHER EMERGENCY, ELECTRONIC DOCUMENTATION AND SERVICE MAY BE THE ONLY MODE THAT CAN BE EMPLOYED. AS SUCH, IT IS IMPORTANT FOR YOU TO REGISTER YOUR E-MAIL ADDRESS WITH BURSA DEPOSITORY VIA:-**

- (i) **[HTTPS://WWW.BURSAMALAYSIA.COM/TRADE/OUR\\_PRODUCTS\\_SERVICES/CENTRAL\\_DEPOSITORY\\_SYSTEM/REQUEST\\_FOR\\_ESTATEMENT](https://www.bursamalaysia.com/trade/our_products_services/central_depository_system/request_for_estatement); OR**
- (ii) **BURSA ANYWHERE MOBILE APPLICATION WHICH CAN BE DOWNLOADED FROM GOOGLE PLAY STORE OR APPLE APP STORE.**

## **2. DETAILS OF THE PROPOSED ACQUISITIONS**

### **2.1 Proposed Blossom Acquisition**

The Proposed Blossom Acquisition entails Doh Properties agreeing to sell and DBE agreeing to purchase the Blossom Sale Shares for the Blossom Purchase Consideration which will be satisfied in the following manner:-

- (i) RM71.39 million via the issuance of 89,508,542 Consideration Shares at the Issue Price; and
- (ii) up to RM571.16 million via the issuance of up to 716,192,288 Consideration RCPS at the Issue Price.

For information purposes, the issuance of up to 76,550,572 Consideration RCPS (being the Consideration RCPS for the Uncompleted Portion of Teluk Intan Land of up to RM61.05 million), will be allotted and issued on the completion date of the Blossom SSA or upon the date of completion of the Uncompleted Portion of Teluk Intan Land, whichever is later.

Further details of the Uncompleted Portion of Teluk Intan Land are set out under Section 2.1.1 of Part A of the Circular.

The salient terms of the Proposed Blossom Acquisition are set out in Appendix II of this Circular.

The Blossom Sale Shares are sold (i) free from all claims, liens, charges and encumbrances and with full legal and beneficial title; and (ii) with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof), with effect from the Blossom Completion Date.

#### **2.1.1. Basis and justification of arriving at the Blossom Purchase Consideration**

The Blossom Purchase Consideration was arrived at after negotiation on a "willing-buyer, willing-seller" basis, after taking into consideration, amongst others, the following:-

- (i) the market value of the Blossom Group Properties as appraised by Knight Frank on 31 December 2019, of RM872.97 million.

Knight Frank had adopted Income Approach by Residual Method, Comparison Approach and Cost Approach for the valuation of the Blossom Group Properties as further detailed in Section 1.7 of Appendix I of the Circular.

As indicated in the Valuation Certificate dated 29 May 2020, notwithstanding the current effects of the coronavirus disease 2019 (“COVID-19”) on the economy and property market of Malaysia, after taking into consideration amongst others, the available evidences as of the date of valuation and the profile of the property products offered by Blossom Group, Knight Frank is of the opinion that its valuation is still valid as at the date of the Valuation Certificate.

Please refer to Appendix IV of this Circular for the Valuation Certificate prepared by Knight Frank;

- (ii) the adjusted NA of the Blossom Group based on its latest audited financial statements for the FYE 31 December 2019 of RM311.90 million and after taking into consideration the revaluation surplus of the Blossom Group Properties and the deferred tax amount arising thereof; and
- (iii) the prospects of the Blossom Group as set out in Section 9.4 of Part A of this Circular.

The Blossom Purchase Consideration is summarised as below:-

	<u>RM('000)</u>	<u>RM('000)</u>
Audited NA of the Blossom Group as at 31 December 2019		311,895
Add: Revaluation surplus (net of tax) from Blossom Group existing properties <sup>(1)</sup>	269,602	
Add: Revaluation surplus from the Uncompleted Portion of Teluk Intan Land (net of tax) <sup>(1)</sup>	61,049	
		<u>330,651</u>
<b>Blossom Purchase Consideration</b>		<b><u>642,546</u></b>

**Note:-**

(1) The revaluation surplus (net of tax) from Blossom Group existing properties and the revaluation surplus from the Uncompleted Portion of Teluk Intan Land (net of tax) is computed as follows:-

	<u>Blossom Group existing properties RM('000)<sup>(a)</sup></u>	<u>Uncompleted Portion of Teluk Intan Land RM('000)<sup>(b)</sup></u>
Market value	769,810	103,160
Less: Audited NBV	(415,071)	(22,832)
Revaluation surplus	354,739	80,328
Less: 24% deferred tax	(85,137)	(19,279)
Net revaluation surplus	<u>269,602</u>	<u>61,049</u>

(a) Being the revaluation surplus (net of tax) based on the market value as ascribed by Knight Frank less the net book value of the Blossom Group Properties as at 31 December 2019, which includes property development associated costs but excluding the revaluation surplus for the Uncompleted Portion of Teluk Intan Land.

(b) Being the revaluation surplus (net of tax) from the Uncompleted Portion of Teluk Intan Land based on the market value ascribed by Knight Frank less the net book value of the Uncompleted Portion of Teluk Intan Land as at 31 December 2019.

Taraf, had on 22 May 2017 entered into the Teluk Intan SPA to acquire the Teluk Intan Land. As at the LPD, the acquisition of the Uncompleted Portion of Teluk Intan Land has yet to be completed, pending the fulfilment of the final condition precedent under the Teluk Intan SPA which requires Ladang Awana (being the vendor of the Teluk Intan SPA) to obtain the approval from the Estate Land Board for the sale and transfer of the Uncompleted Portion of Teluk Intan Land to Taraf.

*Notwithstanding the above, pursuant to the terms of a letter of extension dated 21 April 2018 which is supplemental to the Teluk Intan SPA, Taraf had on 21 April 2018 received vacant possession and had on 15 February 2019 received the power of attorney granted by Ladang Awana to commence development on the Uncompleted Portion of Teluk Intan Land.*

*In the event of non-completion of the Teluk Intan SPA within the period stipulated in the Blossom SSA, the Blossom Purchase Consideration will be adjusted in accordance with Blossom SSA, as detailed in Appendix II of this Circular.*

Please refer to Appendix I for further information of Blossom Group, including details of the Blossom Group Properties.

### **2.1.2. Salient terms of the Blossom SSA**

Please refer to Appendix II for the salient terms of the Blossom SSA.

### **2.1.3. Settlement of related party advances**

DDJM, DDTL and DDJC and their related parties and persons connected with them have extended the Blossom Related Party Advances amounting to RM21.80 million to Blossom Group as at 31 December 2019 which forms part of the liabilities of Blossom Group in computation of the consolidated NA of Blossom Group for FYE 31 December 2019. DDJM, DDTL and DDJC and their related parties and persons connected with them have subsequently novated the Blossom Related Party Advances to Lagenda.

Pursuant to the terms of the Blossom SSA, DBE shall settle and repay such outstanding amount on behalf of Blossom Group so that Blossom Group is free of any Blossom Related Party Advances on the Blossom Completion Date. The Blossom Related Party Advances will be fully settled via the issuance of 27,336,272 Settlement Shares at the Issue Price to Lagenda.

In this respect, it should be noted that the total consideration payable to the Vendors (being the Blossom Purchase Consideration and Settlement of Blossom Related Party Advances) remains the same regardless of the settlement herein as the Blossom Related Party Advances represents a debt already currently owing by Blossom Group to the related party which shall be assumed by DBE upon completion of the Proposed Acquisitions.

Any further Blossom Related Party Advances provided after 31 December 2019 and/or any loans and advances provided by Blossom to DDJM, DDTL and DDJC and their related parties and persons connected with them after 31 December 2019 shall be fully settled in cash on or prior to the Blossom Completion Date. For information purposes, as at the LPD, the Blossom Related Party Advances amounts to RM22.31 million.

## **2.2 Proposed Rantau Acquisition**

The Proposed Rantau Acquisition entails DDJM, DDTL and DDJC agreeing to sell and DBE agreeing to purchase the Rantau Sale Shares for the Rantau Purchase Consideration, which will be fully settled via cash.

The Rantau Sale Shares are sold (i) free from all claims, liens, charges and encumbrances and with full legal and beneficial title; and (ii) with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof), with effect from the Rantau Completion Date.

## 2.2.1. Basis and justification of arriving at the Rantau Purchase Consideration

Pursuant to the above, the Rantau Purchase Consideration was arrived at after negotiation on a “willing-buyer, willing-seller” basis, after taking into consideration, the following:-

- (i) the audited NA of Rantau based on its latest audited financial statement for the FYE 31 December 2019 of RM71.15 million; and
- (ii) the unrealised margins computed based on Rantau’s outstanding orderbook as at 31 December 2019 and deducting the remaining associated third-party costs thereto and accounting for time discounting taking into consideration the tenure of the awarded contracts (“**Unrealised Margin**”).

As at 31 December 2019, the outstanding orderbook of Rantau amounts to RM1.17 billion, predominantly comprising construction contracts awarded by the Blossom Group for its development projects. Further details of Rantau’s outstanding orderbook is set out under Section 2.7 of Appendix I.

The Unrealised Margin was used to derive the Rantau Purchase Consideration as it represents the margin expected to be realised by DBE Group for undertaking Rantau’s outstanding orderbook and deducting the cost contracted/to be contracted with non-related party contractors post completion of the Proposed Rantau Acquisition. For information purposes, the computation of the Unrealised Margin takes into consideration of MFRS 13 - Fair Value Measurement, whereby an entity must determine whether the transaction price represents the fair value of an asset or liability at initial recognition. In this respect, the valuation methodology adopted is the income approach as permitted under MFRS 13 which takes into consideration the remaining outstanding orderbook and the associated liability in deriving the purchase consideration.

In addition, the Company also takes into consideration that the Proposed Blossom Acquisition and Proposed Rantau Acquisition are inter-conditional, which allows the assimilation of third-party costs to be incurred by Rantau in fulfilling its orderbook under the enlarged DBE Group post Proposed Acquisitions, as if the Blossom Group and Rantau are operating as a single entity.

The Rantau Purchase Consideration is summarised as below:-

	<u>RM(‘000)</u>	<u>RM(‘000)</u>
Audited NA as at 31 December 2019		71,146
Add: Unrealised Margin <sup>(i)</sup>	101,479	
Less: Deferred tax liability <sup>(ii)</sup>	<u>(24,355)</u>	
		77,124
<b>Purchase Consideration</b>		<b><u>148,270</u></b>

### **Notes:-**

- (i) *The Unrealised Margin from Rantau’s outstanding orderbook as at 31 December 2019 is computed as follows:-*

	<u>RM(‘000)</u>
Outstanding orderbook as at 31 December 2019 *	1,167,730
Less: Remaining cost to be incurred by Rantau in fulfilling the outstanding orderbook	<u>(1,026,162)</u>
Less: Adjustment for time discounting #	<u>(40,089)</u>
<b>Unrealised Margin</b>	<b><u>101,479</u></b>

- \* *Represents construction contracts secured by Rantau that has yet to be billed by Rantau to its customers as at 31 December 2019. The outstanding orderbook of Rantau mainly comprises construction contracts awarded by Blossom Group in relation to the development projects undertaken by Blossom Group. Further details are set out in Section 2.7 of Appendix I of this Circular.*

*The Unrealised Margins will not be affected upon consolidation of inter-company transactions between Blossom Group and Rantau as the Unrealised Margins are calculated based on cost contracted/to be contracted with non-related party contractors. As such, following the completion of the Proposed Acquisitions and upon consolidation of DBE Group and the Target Companies, the Unrealised Margins represents external profits to be recognised by the enlarged DBE Group during the course of undertaking Rantau's outstanding orderbook.*

- # *Represents discounting factors for the time taken for Rantau to fully realised its outstanding orderbook at a discount rate of 8.25%. As Rantau's order book comprises mainly the development projects undertaken by Blossom Group, with expected development period of up to October 2023, the discounting factors used are in line with the discounting factors adopted by Knight Frank in deriving the market value of the Blossom Group Properties.*

- (ii) *Being the potential tax exposure on the Unrealised Margin based on tax rate of 24%.*

Please refer to Appendix I for further information on Rantau, including its on-going construction projects.

#### **2.2.2. Source of funding**

The Rantau Purchase Consideration to be fully settled by cash, will be funded via bank borrowings.

#### **2.2.3. Salient terms of Rantau SSA**

Please refer to Appendix II for the salient terms of the Rantau SSA.

#### **2.2.4. Settlement of related party advances**

DDJM, DDTL and DDJC and their related parties and persons connected with them have extended the Rantau Related Party Advances amounting to RM11.11 million as at 31 December 2019 which forms part of the liabilities of Rantau in computation of the NA of Rantau for FYE 31 December 2019. DDJM, DDTL and DDJC and their related parties and persons connected with them have subsequently novated the Rantau Related Party Advances to Lagenda.

Pursuant to the terms of the Rantau SSA, DBE shall settle and repay such outstanding amount on behalf of Rantau so that Rantau is free of any Rantau Related Party Advances on the Rantau Completion Date. The Rantau Related Party Advances will be fully settled via the issuance of 13,929,865 Settlement Shares at the Issue Price to Lagenda.

In this respect, it should be noted that the total consideration payable to the Vendors (being the Rantau Purchase Consideration and Settlement of Rantau Related Party Advances) remains the same regardless of the settlement herein as the Rantau Related Party Advances represents a debt already currently owing by Rantau to the related party which shall be assumed by DBE upon completion of the Proposed Acquisitions.

Any further Rantau Related Party Advances provided after 31 December 2019 and/or any loans and advances provided by Rantau to DDJM, DDTL and DDJC and their related parties and persons connected with them after 31 December 2019 shall be fully settled in cash on or prior to the Rantau Completion Date. For information purposes, as at the LPD, the Rantau Related Party Advances amounted to RM9.71 million.

## 2.3 Proposed Yik Wang Acquisition

The Proposed Yik Wang Acquisition entails DDJM, DDTL, DDJC, DDNC and DLHK agreeing to sell and DBE agreeing to purchase the Yik Wang Sale Shares for the Yik Wang Purchase Consideration, which will be satisfied in the following manner:-

Tranche	Mode of Settlement			Timing of Settlement
	Cash Consideration RM'million	Consideration Share RM'million	Total RM'million	
Tranche 1	1.73	15.33	17.06	To be settled on the Yik Wang Completion Date
Tranche 2	15.44	-	15.44	To be settled upon achieving the Profit Guarantee
<b>Total</b>	<b>17.17</b>	<b>15.33</b>	<b>32.50</b>	

The Yik Wang Sale Shares are sold (i) free from all claims, liens, charges and encumbrances and with full legal and beneficial title; and (ii) with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof), with effect from the Yik Wang Completion Date.

### 2.3.1 Profit Guarantee

Pursuant to the Yik Wang SSA, the vendors of Yik Wang warrants and undertakes that Yik Wang shall achieve the Profit Guarantee within the Guaranteed Years.

For purposes of computing Yik Wang Purchase Consideration, the cumulative PAT of RM10.00 million shall be divided over a period of 2 years resulting in an average annual PAT of RM5.00 million ("**Average Profit Guarantee**"). The Yik Wang Purchase Consideration is computed based on an agreed PER of 6.50 times over the Average Profit Guarantee.

As stipulated in the Yik Wang SSA, the Yik Wang Purchase Consideration will be settled in the following manner:-

(i) Tranche 1 of RM17.06 million

To be satisfied in the following manner:-

- (a) RM1.73 million via cash ("**Yik Wang Tranche 1 Cash Consideration**"); and
- (b) RM15.33 million via issuance of 19,225,322 Consideration Shares at the Issue Price to Lagenda.



The Yik Wang Purchase Consideration for Tranche 1 was arrived at based on Yik Wang's PAT for the FYE 31 December 2019 of RM2.62 million multiplied by the agreed PER of 6.50 times.

(ii) Tranche 2 of RM15.44 million

In the event Yik Wang achieves the Profit Guarantee, Tranche 2 of the Yik Wang Purchase Consideration of RM15.44 million will be settled via cash ("**Yik Wang Tranche 2 Payment**").

In the event that Yik Wang fails to achieve the Profit Guarantee, DBE shall be discharged from its obligation to pay the Yik Wang Tranche 2 Payment to the vendors of Yik Wang. Consequently, the Yik Wang Purchase Consideration shall be adjusted to RM17.06 million, which will be fully satisfied via Yik Wang Tranche 1 Cash Consideration and RM15.33 million in value of Consideration Shares, as depicted in the table above.

For avoidance of doubt, in the event Yik Wang achieves an aggregate PAT higher than the Profit Guarantee during the Guaranteed Years, the maximum amount payable to the vendors under Yik Wang Tranche 2 Payment shall remain unchanged at RM15.44 million.

Further details are set out in Appendix II of this Circular.

The Board is of the opinion that the Profit Guarantee is reasonable and realistic after taking into consideration, amongst others, the following:-

- (i) Yik Wang's historical performance as detailed under Section 3.6 of Appendix I of this Circular as well as its earnings potential and future prospect as disclosed under Section 9.4 of Part A of this Circular; and
- (ii) Yik Wang's existing management will continue to be involved in its day-to-day operational and business activities.

The achievability of the Average Profit Guarantee of RM5.0 million PAT beyond the Guaranteed Years is premised on the expected increasing property development activities of Blossom Group. The majority of Yik Wang's existing customers are sub-contractors of Rantau, wherein these sub-contractors will form a ready customer market for Yik Wang. At the same time, it is also the intention of Yik Wang, post completion of the Proposed Acquisitions, to broaden its customers reach to the northern region of Malaysia instead of placing sole reliance on the Perak market. Additionally, Yik Wang is also undertaking various strategies to increase its profit margins, including improving its procurement strategy by monitoring price movements of building materials to better manage its raw materials costs.

### **2.3.2 Basis and justification of arriving at the Yik Wang Purchase Consideration**

The Yik Wang Purchase Consideration was arrived at after negotiation on a "willing-buyer, willing-seller" basis after taking into consideration, amongst others:-

- (i) Profit Guarantee by the vendors of Yik Wang; and
- (ii) PER of 6.50 times, based on the Average Profit Guarantee.

In assessing the Yik Wang Purchase Consideration, the Board has taken into consideration that the main selection criteria for comparable companies is to have a relatively similar earnings profile. In this instance, companies that are principally involved in trading of building materials with more than 75% of the revenue generated from trading of building materials has been adopted. The Board has also noted that such comparable companies have a market capitalisation ranging between RM50.00 million to RM100.00 million ("**Comparable Companies**").

For information purposes, the Comparable Companies were determined after taking into consideration the principal activities of Yik Wang as well as the quantum of the Yik Wang Purchase Consideration.

Nevertheless, the Comparable Companies set out below are not exhaustive and may not necessarily be directly comparable to Yik Wang in terms of composition of business activities, geographical area, scale of operations, track record, financial performance, risk profile, future prospects and other criteria.

It should also be highlighted that whilst such Comparable Companies analysis may reflect the market sentiments towards the sector and provide guidance on valuation, the analysis may not take into account differences in accounting policies and standards, as well as the operating environments, business models and/or tax treatments, and nor does it take into account possible unique characteristics of the different selected companies.

Any comparisons made with respect to the Comparable Companies are intended for illustrative purposes only. The comparative analysis drawn from such comparison is not intended to reflect the perceived or implied market valuation of Yik Wang.

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The PER of the Comparable Companies are as follows:-

Comparable Companies	Market Capitalisation (RM'million) <sup>(1)</sup>	Principal activity	3 years average PER (times) <sup>(1)</sup>	3 years average adjusted PER (times) <sup>(2)</sup>
AYS Ventures Berhad	98.91	AYS Ventures Berhad and its subsidiaries are principally involved in trading and marketing of steel products and all types of construction materials, warehousing and storage services.	7.28	5.10
Chuan Huat Resources Berhad	53.97	Chuan Huat Resources Berhad and its subsidiaries are principally involved in trading of steel and iron hardware, building and construction materials.	12.78	8.95
Lion Posim Berhad (formerly known as Lion Forest Industries Berhad)	89.99	Lion Posim Berhad and its subsidiaries are principally involved in investment holding, trading and distribution of building materials and steel products.	9.17	6.42
KPS Consortium Berhad	70.22	KPS Consortium Berhad and its subsidiaries are principally involved in trading of plywood, related wood product and building materials.	7.98	5.59
		<b>High</b>	<b>12.78</b>	<b>8.95</b>
		<b>Low</b>	<b>7.28</b>	<b>5.10</b>
		<b>Average</b>	<b>9.30</b>	<b>6.51</b>
<b>Yik Wang</b>				<b>6.50</b>

(Source: Bloomberg)

**Notes:-**

(1) As at 31 December 2019

(2) A 30% discount has been applied to the 3 years average adjusted PER of the Comparable Companies to reflect the lack of marketability and liquidity of Yik Wang Shares in view that Yik Wang is not listed on any stock market. For information purposes, the 30% adjustment is based on generally accepted market discount for non-listed entities.

Based on the above, the implied PER of approximately 6.50 times in relation to the Proposed Yik Wang Acquisition is within the range of the 3 years average adjusted PER of the Comparable Companies of 5.10 times to 8.95 times and is comparable to the 3 years average adjusted PER of 6.51 times.

### **2.3.3 Source of funding**

The Yik Wang Tranche 1 Cash Consideration will be funded via bank borrowings, whereas Yik Wang Tranche 2 Payment will be funded either via internally generated funds and/or bank borrowings, the exact breakdown of which will only be determined upon settlement.

### **2.3.4 Salient terms of Yik Wang SSA**

Please refer to Appendix II for salient terms of the Yik Wang SSA.

### **2.3.5 Settlement of related party advances**

DDJM, DDTL, DDJC, DDNC and DLHK and their related parties and persons connected with them have extended the Yik Wang Related Party Advances amounting to RM129,651 as at 31 December 2019, which forms part of the liabilities of Yik Wang in the audited NA of Yik Wang for FYE 31 December 2019. DDJM, DDTL, DDJC, DDNC, DLHK and their related parties and persons connected with them have subsequently novated the Yik Wang Related Party Advances to Lagenda.

The Yik Wang Related Party Advances will be fully settled via cash by DBE to Lagenda.

It should be noted that the total consideration payable to the Vendors (being the Purchase Consideration and Settlement of Yik Wang Related Party Advances) remains the same regardless of the settlement herein as the Yik Wang Related Party Advances represents a debt already currently owing by Yik Wang to the related party which shall be assumed by DBE upon completion of the Proposed Acquisitions.

Any further Yik Wang Related Party Advances provided after 31 December 2019 and/or any loans and advances provided by Yik Wang to DDJM, DDTL, DDJC, DDNC and DLHK and their related parties and persons connected with them after 31 December 2019 shall be fully settled in cash on or prior to the Yik Wang Completion Date. For information purposes, as at the LPD, the Yik Wang Related Party Advances amounted to RM81,480.

## **2.4 Basis and justification in arriving at the issue price of the Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of Consideration RCPS**

The Issue Price of RM0.7975 was determined and fixed by the Board after taking into consideration the following:-

- (a) the Proposed Share Consolidation;
- (b) the 5-day VWAP of DBE Shares up to and including 25 February 2020, being the last traded market day prior to the date of the SSAs after adjusting for the Proposed Share Consolidation. The Issue Price represents a premium of approximately 0.95% to the said 5-day VWAP of DBE Shares of RM0.7900.

For information purposes, the premium of the Issue Price to the 5-day, 1-month, 3-month, 6-month and 12-month VWAP of DBE Shares up to and including the LTD are as follows:-

Up to the LTD	VWAP (RM) <sup>(i)</sup>	Premium	
		RM	%
5-day	0.7900	0.0075	0.95
1-month	0.7775	0.0200	2.57
3-month	0.7875	0.0100	1.27
6-month	0.7825	0.0150	1.92
12-month	0.7725	0.0250	3.24

**Note:-**

(i) The VWAP of DBE Shares have been adjusted for the Proposed Share Consolidation for comparison purposes.

- (c) the NA per DBE Share of RM0.59 based on the audited NA of DBE Group of RM62.87 million for the FYE 31 December 2019 after adjusting for the Completed Private Placement and the Proposed Share Consolidation. The computation of the NA per DBE Share is illustrated as follows:-

	<b>RM('000)</b>
Audited NA as at 31 December 2019	62,877
Adjusted for the Completed Private Placement <sup>(i)</sup>	4,293
	<b>67,170</b>
No. of DBE Shares as at the LPD after adjusting for the Proposed Share Consolidation ('000)	113,489
NA per share after adjusting for the Completed Private Placement and the Proposed Share Consolidation (RM)	0.59

**Note:-**

(i) Adjusted for the issuance of 159,000,000 new DBE Shares at an issue price of RM0.027 per DBE Share.

The Issue Price represents a premium of RM0.2075 or approximately 35.17% to the NA per DBE Share of RM0.59, after adjusting for the Proposed Share Consolidation.

- (d) the RNAV of RM0.61 per DBE Share after adjusting for the Completed Private Placement and the Proposed Share Consolidation. The computation is as follows:-

	<b>RM('000)</b>
Audited NA as at 31 December 2019	62,877
Adjusted for Completed Private Placement <sup>(i)</sup>	4,293
Add: Estimated revaluation surplus (net of tax) <sup>(ii)</sup>	2,503
<b>RNAV</b>	<b>69,673</b>
No. of DBE Shares as at the LPD after adjusting for the Proposed Share Consolidation ('000)	113,489
RNAV per share after adjusting for the Completed Private Placement and the Proposed Share Consolidation (RM)	0.61

**Notes:-**

(i) Adjusted for the issuance of 159,000,000 new DBE Shares at an issue price of RM0.027 per DBE Share.

- (ii) Based on the market value of all the on-going development projects of DBE Group as at 31 December 2019 prepared for the purpose of proforma consolidated statement of financial position of the DBE Group in conjunction with the Proposals.

The Issue Price represents a premium of RM0.1875 or approximately 30.74% to the RNAV per DBE Share of RM0.61, after adjusting for the Proposed Share Consolidation.

## **2.5 Ranking of Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of the Consideration RCPS**

The Consideration Shares, Settlement Shares and the new DBE Shares to be issued upon conversion of the Consideration RCPS shall, upon allotment and issue, rank *pari passu* in all respects with each other and with the then existing issued DBE Shares, save and except that they shall not be entitled to any dividends, rights, entitlements, allotments and/or any other distributions which may be declared, made or paid to the shareholders of DBE, the entitlement date of which is prior to or on the date of allotment of such DBE Shares.

The Consideration RCPS shall constitute direct, unconditional, unsecured and unsubordinated obligations of DBE and shall upon allotment and issue, rank *pari passu* without any preference or priority among themselves and in priority to other RCPS that may be created in future, but shall rank behind all secured and unsecured obligations of DBE. The Consideration RCPS shall rank in priority to the DBE Shares with regard to dividend payment.

## **2.6 Listing of and quotation for the Consideration Shares, Settlement Shares, the Consideration RCPS and new DBE Shares to be issued upon conversion of the Consideration RCPS**

The approval of Bursa Securities for the listing of and quotation for the Consideration Shares, Settlement Shares and new DBE Shares arising from the conversion of the Consideration RCPS on the Main Market of Bursa Securities has been obtained on 29 May 2020.

The Consideration RCPS will not be listed, quoted or traded on Bursa Securities or any other stock exchange.

## **2.7 Liabilities to be assumed**

DBE will not be assuming any additional liabilities (including contingent liabilities and guarantees (if any)) pursuant to the Proposed Acquisitions save for the existing liabilities and/or contingent liabilities stated in the audited financial statements of the Target Companies for the FYE 31 December 2019.

All the Blossom Related Party Advances, Rantau Related Party Advances and Yik Wang Related Party Advances will be fully settled on or before the completion date of the relevant SSAs.

## **2.8 Additional financial commitments**

Save for the existing capital commitments stated in the audited financial statements of the Target Companies for the FYE 31 December 2019, the future development costs to be incurred on the Blossom Group Properties and the construction costs to be incurred on Rantau's existing orderbook, DBE Group is not expected to incur any material additional financial commitment subsequent to the Proposed Acquisitions.

The development costs and construction costs to be incurred by DBE Group will depend on, amongst others, the time span of the development projects, the type of development to be undertaken, financing cost as well as costs of raw materials and other miscellaneous costs.

## **2.9 Implication on the Rules**

Pursuant to the terms of the SSAs, the Vendors have nominated Lagenda as the nominee to accept, *inter-alia*, the Consideration Shares, the Settlement Shares and the Consideration RCPS. As at the LPD, Lagenda does not hold any equity interest in DBE but is envisaged to increase its equity interest from 0% to 56.93% in DBE upon completion of the Proposed Acquisitions. The equity interest of Lagenda and its PACs will also collectively increase from 35.13% as at the LPD to 72.06% upon completion of the Proposed Acquisitions.

In view of the above, pursuant to the Paragraph 4.01 of the Rules, Lagenda, individually and collectively with its PACs will be obliged to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon the completion of the Proposed Acquisitions.

As at the LPD, Doh Properties, Setia Awan, DDJM, DDTL, DDJC, DDNC and DLHK are the PACs of Lagenda for purposes of the Proposed Exemption.

As at the LPD, Lagenda and its PACs do not hold any Warrants B.

Nonetheless, it is the intention of Lagenda and its PACs to seek for the Proposed Exemption from the SC pursuant to Paragraph 4.08(1)(a) of the Rules which states that an offeror may apply for an exemption from a mandatory offer obligation when the offeror is issued new voting shares or voting rights as consideration for the sale or disposal of assets and/or interest by him.

Pursuant to Paragraph 4.08(2) of the Rules, the SC may consider granting an exemption provided, *inter-alia*, that in addition to obtaining the approval from the non-interested Shareholders of DBE, Lagenda and its PACs have not acquired any DBE Shares or instruments convertible into DBE Shares and options in respect of DBE Shares in the six (6) months prior to the announcement and until the completion of the Proposals.

In view that the Proposals are inter-conditional upon each other, in the event the Proposed Exemption is not granted by the SC, the Company will not be able to undertake the Proposals.

Please refer to Section 3 of Part A of this Circular for further information on the Proposed Exemption.

## **2.10 Public Spread Requirement**

As at the LPD, the public shareholding spread of DBE is approximately 64.87%. Upon the completion of the Proposed Acquisitions (including the settlement of all the related party advances of the Target Companies), the public shareholding spread of the Company will decrease to approximately 27.92%, which is in compliance with Paragraph 8.02(1) of the MMLR, where it requires the Company to ensure that at least 25% of its total listed shares are in the hands of public shareholders ("**Public Spread Requirement**").

The Proposed Private Placement which is to be implemented after the completion of Proposed Acquisitions is expected to increase the public shareholding spread of the Company to approximately 52.34% (assuming the entire Placement Shares are issued).

Nonetheless, the Company will not be in compliance with the Public Spread Requirement assuming full conversion of the Consideration RCPS as the public shareholding spread of the Company will decrease to approximately 18.71%.

The Company will endeavour to comply with the Public Spread Requirement at all times including prior to the mandatory conversion of the Consideration RCPS on maturity date. In this respect, the Company has obtained an undertaking from the Vendors that:-

- (a) they shall not convert and shall procure Lagenda, who receive the Consideration RCPS to not convert, any part or all of the Consideration RCPS if upon the conversion of such Consideration RCPS, the Company would not be in compliance with the Public Spread Requirement; or
- (b) they shall procure Doh Properties and Lagenda, who will be the major shareholder of DBE upon completion of the Proposed Acquisitions, to place out such number of DBE Shares held by Doh Properties and/or Lagenda as and when so required by the Company, so as to enable the Company to fulfil and comply with the Public Spread Requirement in the event that the Company shall not be in compliance with the Public Spread Requirement immediately following the conversion of the Consideration RCPS.

For avoidance of doubt, in an unforeseeable event of a breach of undertaking by the Vendors under item (a) above which results in a non-compliance with the Public Spread Requirement after the conversion of the Consideration RCPS, the Company will pursuant to item (b) require the Vendors to procure Doh Properties and/or Lagenda to undertake a placement of its DBE Shares for the purposes of rectifying the public shareholding spread of the Company.

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### 3. DETAILS OF THE PROPOSED EXEMPTION

As highlighted under Section 2.10 of Part A of this Circular, upon the completion of the Proposed Acquisitions, the shareholdings of:-

- (i) Lagenda, being the nominee of the Vendors to receive the Consideration Shares, the Settlement Shares and the Consideration RCPS, in DBE will increase from 0% to 56.93%; and
- (ii) Lagenda and its PACs, in DBE will increase from 35.13% to 72.06%.

The details of the shareholdings of Lagenda and its PACs in DBE after the completion of the Proposed Acquisitions are detailed below:-

Name	As at the LPD			After the Share Consolidation			
	Direct No. of DBE Shares	% <sup>(1)</sup>	Indirect No. of DBE Shares	Direct No. of DBE Shares	%	Indirect No. of DBE Shares	% <sup>(1)</sup>
Lagenda	-	-	-	-	-	-	-
Doh Properties	939,280,220	33.11	-	37,571,208	33.11	-	-
DDJM	57,520,000	2.03	939,280,220 <sup>(2)</sup>	2,300,800	2.03	37,571,208 <sup>(2)</sup>	33.11
DDTL	-	-	939,280,220 <sup>(2)</sup>	-	-	37,571,208 <sup>(2)</sup>	33.11
DDJC	-	-	939,280,220 <sup>(2)</sup>	-	-	37,571,208 <sup>(2)</sup>	33.11
DDNC	-	-	-	-	-	-	-
DLHK	-	-	-	-	-	-	-
Setia Awan	-	-	939,280,220 <sup>(3)</sup>	-	-	37,571,208 <sup>(3)</sup>	33.11

Name	No. of Consideration Shares and Settlement Shares to be issued	After the Proposed Acquisitions			
		Direct No. of DBE Shares	% <sup>(1)</sup>	Indirect No. of DBE Shares	% <sup>(1)</sup>
Lagenda	150,000,001	150,000,001	56.93	-	-
Doh Properties	-	37,571,208	14.26	-	-
DDJM	-	2,300,800	0.87	187,571,208 <sup>(2)</sup>	71.19
DDTL	-	-	-	187,571,208 <sup>(2)</sup>	71.19
DDJC	-	-	-	187,571,208 <sup>(2)</sup>	71.19
DDNC	-	-	-	-	-
DLHK	-	-	-	-	-
Setia Awan	-	-	-	37,571,208 <sup>(3)</sup>	14.26

**Notes:-**

- (1) *Any discrepancies between the sum of the individual shareholdings stated in the table and the total shareholdings of Lagenda and its PACs stated in the Circular are due to rounding.*
- (2) *Deemed interested pursuant to Section 8 of the Act by virtue of their shareholdings in Lagenda and Setia Awan, which in turn holds 100% equity interest in Doh Properties.*
- (3) *Deemed interested pursuant to Section 8 of the Act by virtue of its shareholdings in Doh Properties.*

As at the LPD, Lagenda and its PACs do not hold any Warrants B.

Pursuant to the Paragraph 4.01 of the Rules, Lagenda, individually and collectively with its PACs will be obliged to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon the completion of the Proposed Acquisitions.

As Lagenda, being the nominee to receive the Consideration Shares, the Settlement Shares and the Consideration RCPS pursuant to the terms of the SSAs, as well as its PACs have no intention to undertake the MGO, they intend to submit an application to the SC to seek for an exemption from having to undertake the MGO pursuant to Paragraph 4.08(1)(a) of the Rules after obtaining the approval of the non-interested shareholders of DBE for the Proposed Exemption at an EGM to be convened.

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#### 4. DETAILS OF THE PROPOSED AMENDMENTS

The Proposed Amendments entails the Company to amend the Constitution to facilitate the creation and issuance of the Consideration RCPS pursuant to the Proposed Acquisitions.

The indicative salient terms of the Consideration RCPS are as set out in Appendix III.

Further details of the Proposed Amendments are set out in Appendix VIII.

#### 5. DETAILS OF THE PROPOSED SHARE CONSOLIDATION

##### 5.1. Proposed Share Consolidation

The Proposed Share Consolidation entails the consolidation of every twenty-five (25) existing DBE Shares held by DBE's shareholders, whose names appear in the Company's Record of Depositors at the close of business on the Entitlement Date, into one (1) Consolidated Share.

It is the intention of the Company to implement the Proposed Share Consolidation prior to the implementation of the Proposed Acquisitions and Proposed Private Placement.

As at the LPD, the issued share capital of DBE is RM61,135,332 comprising 2,837,229,306 DBE Shares. Upon the completion of the Proposed Share Consolidation, DBE's resultant issued share capital will comprise 113,489,172 Consolidated Shares.

Fractional entitlements arising from the Proposed Share Consolidation, if any, shall be disregarded and dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interests of the Company.

##### 5.2. Theoretical adjusted reference price of the Consolidated Shares and Consolidated Warrants

The Proposed Share Consolidation will result in an adjustment to the reference price of DBE Shares, as quoted on the Main Market of Bursa Securities, but will not have any impact on the market value of DBE Shares held by the Shareholders.

For illustration purposes, based on the last transacted market price of DBE Shares as at the LPD, the theoretical adjusted reference price of the Consolidated Shares upon the completion of the Proposed Share Consolidation will be as follows:-

	<b>No. of ordinary shares in DBE</b>	<b>Closing market price/Theoretical adjusted reference price per DBE Share</b>	<b>Market Capitalisation of DBE</b>
		<b>RM</b>	<b>RM</b>
As at the LPD	2,837,229,306	0.030 <sup>(1)</sup>	85,116,879
After the completion of the Proposed Share Consolidation	113,489,172	0.750 <sup>(2)</sup>	85,116,879

**Notes:-**

(1) Based on the last transacted market price of DBE Shares as at the LPD.

(2) The theoretical adjusted reference price is calculated as follows:-

$$\text{Theoretical adjusted reference price} = \text{Market price per DBE Share} \times \frac{\text{Number of DBE Shares before the Proposed Share Consolidation}}{\text{Number of Consolidated Shares after the Proposed Share Consolidation}}$$

The Proposed Share Consolidation will also result in an adjustment to the reference price of the Warrants B, as quoted on the Main Market of Bursa Securities, but will not have any impact on the market value of Warrants B held by the holders of Warrants B. For illustration purposes, the theoretical adjusted reference price of the Consolidated Warrants will be as follows:-

	<u>No. of Warrants B</u>	<u>Closing market price/ Theoretical adjusted reference price per Warrant B</u>	<u>Total value</u>
		RM	RM
As at the LPD	580,644,468	0.005	2,903,222
After the completion of the Proposed Share Consolidation	23,225,778	0.125 <sup>(1)</sup>	2,903,222

**Note:-**

(1) The theoretical adjusted reference price is calculated as follows:-

$$\text{Theoretical adjusted reference price} = \text{Market price per Warrant B} \times \frac{\text{Number of Warrants B before the Proposed Share Consolidation}}{\text{Number of Warrants B after the Proposed Share Consolidation}}$$

Fractional entitlements for the Consolidated Shares and Consolidated Warrants arising from the Proposed Share Consolidation, if any, shall be disregarded and dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company.

**5.3. Adjustments to the exercise price and number of Warrants B**

Pursuant to the deed poll dated 20 January 2017, which governs the terms and conditions of Warrants B, the Proposed Share Consolidation will give rise to adjustments to the exercise price and number of outstanding Warrants B. The adjustments will be made in accordance with the provisions of the deed poll.

Any necessary adjustments arising from the Proposed Share Consolidation in relation to the outstanding Warrants B will only be finalised on the Entitlement Date for the Proposed Share Consolidation.

For illustrative purposes, assuming all of the outstanding 580,644,468 Warrants B are not exercised prior to the Entitlement Date, the number of Warrants B will be adjusted downwards to 23,225,778 Consolidated Warrants in DBE and the existing exercise price of RM0.05 for each Warrant B will be adjusted to RM1.25 per Consolidated Warrant.

Adjusted exercise price for Consolidated Warrants	=	Existing exercise price per Warrant B	x	$\frac{\text{The revised par value for each Share}}{\text{The original par value for each Share}}$
	=	RM0.05	x	$\frac{\text{RM0.875}}{\text{RM0.035}}$
	=	RM1.25		
Adjusted number for Consolidated Warrants	=	Existing number of Warrant B	x	$\frac{\text{The revised par value for each Share}}{\text{The original par value for each Share}}$
	=	580,644,468	x	$\frac{\text{RM0.035}}{\text{RM0.875}}$
	=	23,225,778		

Any such adjustments arising from the Proposed Share Consolidation will only be determined after due certification by the auditors and signed by a director and the auditors at a later date. The rights and obligations of the holders of Warrants B will remain unchanged, save for the adjustment to the exercise price and/or number of Warrants B.

A notice of adjustment with the details on the actual adjustments made to the exercise price and number of warrants held by each warrant holder will also be issued and despatched to the holders of Warrant B within 30 market days from the effective date of such adjustments.

#### **5.4. Ranking of the Consolidated Shares and Consolidated Warrants**

The Consolidated Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other.

The Consolidated Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with each other.

#### **5.5. Listing of and quotation for the Consolidation Shares and Consolidated Warrants**

The Company had, on 29 May 2020, obtained the approval from Bursa Securities for the Proposed Share Consolidation.

No suspension will be imposed on the trading of DBE Shares on the Main Market of Bursa Securities for the purpose of implementing the Proposed Share Consolidation as the Proposed Share Consolidation is prescribed as a Specified Consolidation. The Consolidated Shares will be credited into the respective Central Depository System accounts of the entitled shareholders and no physical certificate will be issued. The Consolidated Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date.

The notices of allotment of the Consolidated Shares will be issued and despatched to the entitled shareholders within four (4) market days after the listing of and quotation for the Consolidated Shares on the Main Market of Bursa Securities, or such other period as may be determined by Bursa Securities.

## 6. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

### 6.1. Placement size

The Proposed Private Placement entails the issuance of up to 135,000,000 Placement Shares, representing up to approximately 13.78% of the Company's enlarged issued share capital post Proposed Acquisitions (after adjusting for the Proposed Share Consolidation and post conversion of the Consideration RCPS) or up to approximately 51.23% of the Company's enlarged issued share capital post Proposed Acquisitions (after adjusting for the Proposed Share Consolidation but prior to the conversion of the Consideration RCPS).

The conversion of the outstanding Warrants B has not been taken into consideration due to the large disparity of the prevailing 5-day VWAP of DBE Shares up to the LPD of RM0.6725 (after adjusting for Proposed Share Consolidation) vis-à-vis the exercise price of Warrants B of RM1.25 (after adjusting for Proposed Share Consolidation).

The Proposed Private Placement is intended to be implemented after the completion of the Proposed Acquisitions, the Proposed Exemption, the Proposed Amendments and the Proposed Share Consolidation at an issue price to be determined and to investor(s) to be identified at a later date.

### 6.2. Placement arrangement

The Placement Shares shall be placed to third party investor(s) to be identified later in accordance with Paragraph 6.04(c) of the MMLR. The placee(s) shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the CMSA.

The Placement Shares are not intended to be placed to the following persons:-

- (i) a director, major shareholder or chief executive of DBE ("**Interested Person**");
- (ii) a person connected with the Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to prevailing market conditions and timing of identification of the placee(s), the Proposed Private Placement may be implemented in one (1) or a few tranches. As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation.

### 6.3. Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares, where applicable, shall be determined separately and fixed by the Company after receiving the relevant approvals for the Proposed Private Placement. The issue price will be determined after taking into consideration the prevailing market conditions and the 5-day VWAP of the Consolidated Shares (where applicable) immediately preceding the price-fixing date to be determined by the Board. An announcement will be made once the issue price of the Placement Shares is determined.

For illustration purposes, assuming an indicative issue price of RM0.80 per Placement Share, the indicative issue price represents a 18.96% premium to the 5-day VWAP of DBE Shares up to and including the LPD of RM0.6725 (after adjusting for the Proposed Share Consolidation). The proceeds to be derived from the Proposed Private Placement at such indicative issue price will be approximately RM108.00 million ("**Placement Proceeds**").

The illustrative issue price of RM0.80 per Placement Share is reflective of the issue price for the Consideration Shares and Settlement Shares as well as falling within the range of the highest/lowest prices of DBE Shares for the last one (1) year up to the LPD, ranging from RM0.500 to RM0.875 (after adjusting for the Proposed Share Consolidation). Whilst at present, such issue price per Placement Share represents a premium to the recent DBE share prices, the Company takes cognisance that the present performance of its share prices may be dampened by COVID-19 and hence may not be reflective of the fundamentals of DBE Group. However, the Company continues to be optimistic of the prospects of the enlarged DBE Group in the long term based on, *inter-alia*, its track record in developing affordable townships, the nature of property products offered by Blossom Group and its target customers profile.

Nevertheless, the Company will continue to monitor its share price performance vis-a-vis the general prevailing market conditions prior to determining the price-fixing date for the Proposed Private Placement. As highlighted above, the final issue price will be determined by the Board after taking into consideration the prevailing market conditions and the 5-day VWAP of the Consolidated Shares (where applicable) immediately preceding the price-fixing date.

#### 6.4. Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued DBE Shares, save and except that they shall not be entitled to any dividends, rights, entitlements, allotments and/or any other distributions, the entitlement date of which is prior to or on the date of allotment of the Placement Shares.

#### 6.5. Listing of and quotation for the Placement Shares

The Company had, on 29 May 2020, obtained the approval from Bursa Securities for the listing of and quotation for up to 135,000,000 new Consolidated Shares.

#### 6.6. Utilisation of proceeds

The exact amount of proceeds to be raised from the Proposed Private Placement cannot be determined at this juncture as the amount would depend on, amongst others, the issue price and actual number of Placement Shares to be issued.

Based on the indicative issue price of RM0.80 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM108.00 million. The expected manner of utilisation of proceeds at this juncture are as follows:-

Proposed utilisation of proceeds	Note	Up to (RM'000)	Expected timeframe for utilisation (from the date of listing of Placement Shares)
Repayment of bank borrowings	(a)	18,000	Within 12 months
Working capital	(b)	82,000	Within 12 months
Estimated expenses in relation to the Proposals	(c)	8,000	Within 1 month
<b>Total</b>		<b>108,000</b>	

**Notes:-**

- (a) The net borrowings of the DBE Group and the Target Companies as at 31 December 2019 are as follows:-

Company	Net Borrowings / (Net Cash)	Details*
DBE Group		The DBE Group does not have any borrowings as at 31 December 2019 but has obtained financial facilities in 2020 including RM150 million borrowings to partially fund the purchase consideration for the Proposed Acquisitions.
Blossom Group	RM25.56 million	Consist of term loan (effective interest rate between 3.45 - 7.25%) and finance lease (effective interest rate between 3.65 – 4.25%)
Rantau	(RM3.49 million)	Consist of finance lease (effective interest rate between 3.65 - 4.05%) and term loans (effective interest rate at 4.45%)
Yik Wang	RM24.81 million	Consist of finance lease (effective interest rate at 3.75%) and banker's acceptance (effective interest rate between 3.35 – 5.55%)

\* The effective interest has been updated up to the LPD

DBE intends to utilise up to RM18.00 million of the proceeds from the Proposed Private Placement for the repayment of Target Companies' borrowings which carries higher interest rates in order to reduce overall finance cost of the enlarged DBE Group post Proposed Acquisitions. The partial repayment of the borrowings is expected to contribute to an indicative interest savings of approximately RM1.01 million per annum based on the interest rate of the respective loans which ranges from approximately 4.6% to 6.5% per annum.

- (b) As highlighted under Section 7.1 of Part A of this Circular, Blossom Group is currently undertaking development projects comprising mainly townships development namely BBSAP and LTI. The on-going phases of BBSAP (Phase 2B, 2A & 2C, 2D and 3B), LTI (Phase 1 and 2) and Taman Mulia (Phase 4a) will necessitate further costs to be incurred amounting to approximately RM923.04 million comprising inter-alia infrastructure and construction costs as well as land related costs and statutory payment. The Company intends to utilise up to approximately RM82.00 million of the proceeds from the Proposed Private Placement to fund the aforesaid remaining costs of the on-going phases.

DBE is also constantly on the lookout for good investment opportunities to further enhance its property development activities as well as broaden the enlarged DBE Group's presence beyond the northern region of Malaysia. In this respect, should such opportunity arise, which may include inter-alia acquisition of land banks and/or joint venture arrangements, DBE may utilise part of the RM82.00 million proceeds to fund such investments.

- (c) To defray expenses which include, amongst others, professional fees, placement fees and fees payable to the relevant authorities, printing cost of circular, advertising and miscellaneous expenses, the breakdown of which is as follows:-

	RM('000)
Professional fees for the Proposals	4,500
Fees payable to relevant authorities	1,000
Others (e.g. printing, advertising and stamp duty expenses)	2,500
	<b>8,000</b>

Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the Group's working capital requirements.



The actual amount of proceeds to be raised from the Proposed Private Placement will depend on, amongst other, the actual issue price and the number of Placement Shares issued. In the event the actual proceeds raised from the Proposed Private Placement differs from the indicative proceeds of RM108 million depicted in the table above, the Company shall adjust the utilisation of proceeds from the working capital accordingly.

Pending full utilisation of the proceeds from the Proposed Private Placement, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Group.

## **7. RATIONALE FOR THE PROPOSALS**

### **7.1. Proposed Acquisitions**

Since the disposal of the Group's 51% equity interest in companies involved in poultry businesses, the Group has been focusing on its existing development projects namely:-

- (i) Taman Bemban Indah - a mixed development comprising of single-storey terrace house, single-storey semi-detached house and single-storey detached house. The development was launched in June 2019 and is approximately 28% sold and 44% completed as at the LPD. The remaining GDV and GDC of the project is RM49.50 million and RM25.40 million, respectively;
- (ii) Pangsapuri Seri Iskandar, District of Perak Tengah – a development project comprising 2 blocks of 8-storey building with a total of 780 units of apartments with infrastructures comprising of prayer room and kindergarten. As at 1 April 2019, all 780 units of the Pangsapuri Seri Iskandar development have been sold. The development of the project is completed as at the LPD;
- (iii) Joint venture between DBE Development Sdn Bhd and Misi Jutari Sdn Bhd – a mixed development project of single-storey semi-detached house, single-storey terrace house and single-storey shop house in Taman Desa Harmoni, Daerah Perak Tengah. The development project is fully sold and completed as at the LPD; and
- (iv) Pengkalan Prisma – a mixed development of single-storey terrace house, double-storey terrace house and double-storey shop house in Mukim Sungai Terap, Daerah Kinta. The development project is 52% sold and approximately 39% completed as at the LPD. The remaining GDV and GDC of the project is RM52.00 million and RM36.70 million, respectively.

The Group endeavours to reaffirm its expansion efforts in order to continuously increase its presence in the property development segment by identifying viable land banks, property projects and exploring inorganic expansion plans to grow its business. Hence, the Proposed Acquisitions are in line with DBE's long-term strategic plan to augment its property development businesses and is expected to sustain the property development segment of the DBE Group going forward.

The Proposed Acquisitions will also enable the Group to significantly scale up its property development businesses via the following:-

(i) ability to participate in township developments which will provide sustainable earnings visibility for the Group:-

(a) BBSAP, an affordable township development of approximately 1,012 acres / 4,095,419 sqm located in Sitiawan, Perak, was first launched in 2015 and is expected to be developed over a period of approximately 8 years.

As at the valuation date, Phase 1 of the development has been completed with 99.5% take-up rate. Additionally, there are 5 phases (Phase 1C, 1D, 2B, 2A & 2C and 3B) which had been launched and is at various stages of construction as at 31 December 2019. The total GDV of these 5 phases amounts to approximately RM1,250 million, of which RM566 million have been billed with an average take up rate of approximately 81%. The remaining GDC to be incurred for these 5 phases amounts to RM272 million.

Subsequent to the valuation date, Phase 2D of BBSAP was launched in February 2020 with a total estimated GDV and GDC of RM265 million and RM145 million, respectively. Phase 1C and 1D was also completed in February 2020. Phase 3A is expected to be launched in June 2020 with a total estimated GDV and GDC of RM217 million and RM140 million, respectively.

Additionally, BBSAP also has vacant residential and agricultural lands with an aggregate of approximately 459 acres / 1,857,507 sqm. which are being earmarked for future development;

(b) LTI, an affordable township development located in Teluk Intan, Perak was first launched in 2018 and is expected to be developed over a period of approximately 7 years.

As at the valuation date, Phase 1 of the development which was launched in August 2018 has a take-up rate of approximately 53%. The remaining GDV and GDC of Phase 1 are estimated to be RM335 million and RM212 million, respectively. The total GDV and GDC of the future phases of LTI, namely Phase 2, Phase 3A and Phase 3B are estimated to be RM801 million and RM517 million, respectively.

Subsequent to the valuation date, Phase 2 of the development was launched in March 2020 while Phase 3A and Phase 3B is expected to be launched in August 2020.

Additionally, LTI also has vacant lands with an aggregate of approximately 673 acres / 2,723,534 sqm. which are being earmarked for future development;

(c) Taman Mulia, a 56 acres / 226,624 sqm. township development located in Sitiawan, Perak, was first launched in 2014 and is expected to be developed over a period of approximately 10 years.

As at the valuation date, 2 phases of the development have been completed (Phase 1 and 2) with an average take up rate of 80%. The remaining GDV and GDC of future phases of Taman Mulia, namely Phase 3, Phase 4a and Phase 4b are estimated to be RM125 million and RM56 million, respectively.

Subsequent to the valuation date, Phase 4a of the development was launched in January 2020 while both Phase 3 and 4b is expected to be launched in June 2021.

Additionally, Taman Mulia also has vacant lands with an aggregate of approximately 13 acres / 52,609 sqm. which are being earmarked for future development; and

- (d) Setia Residence, a 54 acres / 218,530 sqm. township development located within the town area of Sitiawan, Perak, was first launched in 2011.

As at the valuation date, 5 phases of the development had been completed (Phase 1, 2, 3, 4 and 5) with an average take-up rate of approximately 85% (Phase 1 and 2 have been fully sold). The remaining GDV and GDC of future phases of Setia Residence, namely Phase 6a and Phase 6B are estimated to be RM40 million and RM18 million, respectively. The launch date for both Phase 6a and Phase 6b has yet to be determined.

- (ii) opportunities to tap into the existing on-going projects of the Blossom Group.

Taman Tronoh Akasia, a 3 acres / 12,249 sqm. mixed development located at Seri Iskandar, Perak, comprising 38 residential and commercial units (Phase 3 and 4). As at the valuation date, the total GDV and GDC for the Phase 3 and 4 are estimated to be RM16 million and RM12 million, respectively. The launch date for the phases has yet to be determined.

- (iii) enhance the land banks of the DBE Group via access to the Blossom Group's existing vacant land banks with future development potential.

In addition to the vacant residential/agriculture lands of BBSAP, LTI and Taman Mulia with an aggregate of approximately 1,145 acres / 4,633,651 sqm. as stated above, the Blossom Group also owned various parcels of agriculture lands, measuring in aggregate of approximately 47 acres / 190,202 sqm., located within Perak. No development orders have been obtained for these lands but such lands have been earmarked for future development.

The Proposed Rantau Acquisition is synergistic to the Proposed Blossom Acquisition as Rantau predominantly undertakes the construction management of the Blossom Group's property development projects. By undertaking the Proposed Rantau Acquisition, the DBE Group is able to minimise future recurrent related party transactions and have better risk management and operational control, including amongst others on costs and timing of completion of its' development projects.

In addition, the Proposed Yik Wang Acquisition will enable the DBE Group to better control its procurement of building materials for its development projects, allowing the enlarged DBE Group to have better planning and control over the cost of its construction projects.

The Proposed Yik Wang Acquisition will also facilitate DBE's involvement in building material supply businesses, which provides an additional revenue stream and is synergistic to the operations of the existing property development segment of the enlarged DBE Group.

Accordingly, the Proposed Acquisitions are envisaged to provide earnings visibility to the DBE Group and hence enhance the performance and financials of the Group moving forward which will bode well with the Group's objective of increasing shareholders' value in the long run.

Additionally, the major portion of the settlement of the purchase considerations via the issuance of the Consideration Shares and Consideration RCPS will allow DBE to undertake the Proposed Acquisitions without significant impact on its cash flow and gearing level as compared to full cash settlement via borrowings, as well as minimising the interest expenses.

The mode of satisfaction via the issuance of the Consideration Shares and/or Consideration RCPS for the Target Companies was determined after taking into consideration the remaining purchase consideration that is required to be settled pursuant to the settlement the Rantau Purchase Consideration via cash as well as the need to take into consideration the compliance with the Public Spread Requirement.

## **7.2. Proposed Exemption**

The Proposed Exemption is proposed to be undertaken:-

- (i) to relieve Lagenda individually and collectively with its PACs from the obligation to undertake the MGO pursuant to Paragraph 4.01 of the Rules following the completion of the Proposed Acquisitions; and
- (ii) to ensure a successful completion of the Proposed Acquisitions as they are inter-conditional with the Proposed Exemption.

## **7.3. Proposed Amendments**

The Proposed Amendments are necessary to facilitate the creation and issuance of the Consideration RCPS under the Proposed Blossom Acquisition and to incorporate the requisite new provisions to set out the rights relating to the Consideration RCPS.

## **7.4. Proposed Share Consolidation**

The higher trading price of the Company's shares following the Proposed Share Consolidation may increase the Company's profile amongst investors and lead to more attention by research houses and fund managers. This may in turn increase market interest and activity in the Consolidated Shares, and render the Consolidated Shares to be more attractive to investors.

In addition, the Proposed Share Consolidation will rationalise DBE's share capital by reducing the number of shares in issue and the resultant higher theoretical adjusted reference price, may potentially reduce the degree of volatility in the market price of the Company's shares.

## **7.5. Proposed Private Placement**

DBE had previously undertaken a proposed private placement which was announced on 18 February 2020 and was deemed completed with the issuance of 159.00 million DBE Shares as announced on 18 February 2020. Of the RM4.29 million proceeds raised, RM4.09 million was utilised by DBE to fund the current property development activities of the Group (Taman Bemban Indah and Pengkalan Prisma).

The Proposed Private Placement enables DBE to raise funds without relying on equity funding from the existing shareholders. Additionally, the Proposed Private Placement represents a more expeditious manner to raise funds and the level of discount accorded for a private placement is typically not as steep as a rights issue which will result in lesser number of shares to be issued in order to raise the same amount of gross proceeds. Additionally, a rights issue which typically requires major shareholders' undertaking to subscribe for the shares may also further dilute the Company's public shareholding spread and liquidity, in the event that there is low subscription rate for the rights issue. Also, a rights issue will only be viable if the valuation of DBE Shares, including the discount provided, is sufficiently attractive to entice the existing shareholders to subscribe.

Further, the proceeds raised from the Proposed Private Placement will allow DBE to fund its property development projects as well as look out for potential investment opportunities to support the Group's expansion in its property development business. The Proposed Private Placement will also enable DBE to raise funds in a cost-effective manner whereby part of the proceeds raised will be utilised towards reducing the enlarged DBE Group's interest-bearing bank borrowings and improve its gearing ratio. The enlarged DBE Group expects to enjoy indicative interest savings of approximately RM1.01 million per annum on its existing bank borrowings arising from the Proposed Private Placement.

Whilst the Proposed Private Placement is highly dilutive to the existing shareholders of DBE arising from the additional new DBE Shares issued, the Proposed Private Placement is expected to have a positive impact on the earnings of the enlarged DBE Group as the proceeds will be utilised to predominantly fund the GDC of ongoing property development projects undertaken by the Blossom Group which are expected to be earnings accretive. In this respect, the Company expects overall earnings prospects of the enlarged DBE Group to be positive, driven by *inter-alia*, multiple on-going projects of Target Companies which are at various stages of completion, future launches in the pipeline as well as sizeable landbank for future development.

In addition, by undertaking the Proposed Private Placement to raise the funds required for purposes as set out in Section 6.6 of Part A of this Circular instead of bank borrowings, DBE Group is able to better manage its gearing ratio by increasing its share base and to raise the requisite capital without increasing its level of borrowings. For information purposes, the proforma net gearing ratio of DBE Group as at 31 December 2019 (after the Proposed Acquisitions and Proposed Private Placement) will be at only 0.20 times. Thus, the Proposed Private Placement will provide the DBE Group with further capacity to raise additional debt funding, if required, for land-banking and/or to fund any investment opportunities purposes.

The size of the Proposed Private Placement was determined after taking into consideration the funds required by the enlarged DBE Group after the completion of the Proposed Acquisitions, whereby a further GDC to be incurred of approximately RM923.04 million (as at the valuation date) is required to complete the development for the on-going phases of BBSAP, LTI and Taman Mulia. Therefore, the proceeds raised from the Proposed Private Placement is able to facilitate the enlarged DBE Group to fund the aforesaid development expenditures.

The Proposed Private Placement is also proposed to be undertaken in conjunction with the Proposed Acquisitions as part of the Company's overall strategy to improve the institutional shareholdings mix in DBE and the liquidity of DBE Shares as well as to reposition DBE Shares in the investment community.

In addition, the Proposed Private Placement will enable DBE to increase the amount of DBE Shares held by shareholders deemed as "public" according to the MMLR taking into consideration, *inter-alia*, the effects of the issuance of the Consideration Shares as well as the potential conversion of the Consideration RCPS on the Company's shareholdings structure.

## **8. RISK FACTORS**

Save as disclosed below, the Board does not foresee any other material risk arising from the Proposed Acquisitions given that the Group is already involved in property development.

### **8.1. Non-completion risk**

The completion of the Proposed Acquisitions is subject to, amongst others, the fulfilment of conditions precedent in the respective agreements in such time and manner prescribed therein, failing which may result in the termination of the SSAs. In this respect, the Board seeks to limit such risk and will take all reasonable steps to comply with the relevant conditions precedent so as to be able to complete the Proposed Acquisitions.

### **8.2. Investment and integration risk**

Although the Proposed Acquisitions are expected to contribute positively to the earnings of the Group, there is no guarantee that the anticipated benefits from the Proposed Acquisitions will be realised or that DBE will be able to generate sufficient returns from the property assets of the Target Companies to offset the associated cost of investment. As such, there is no assurance that the Proposed Acquisitions will enable the Group to improve its financial performance and the duration required for DBE to recoup its investment could be longer than anticipated.

Nevertheless, the DBE Group has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisitions and the Board believes that the Proposed Acquisitions will be value accretive and synergistic to the enlarged Group, after taking into consideration, *inter-alia*, the prospects of the Target Companies.

### **8.3. Inherent risk affecting property development projects**

The Proposed Acquisitions are subject to risks inherent in the property development industry which the Group is already involved in. Such risks may include, adverse changes in real estate market prices, changes in demand for types of residential, commercial and industrial properties, competition from other property developers, changes in economic, social and political conditions, delay in completion of property development projects against the scheduled completion, risk of purchase default, performance of third-party contractors and sub-contractors, labour and material supply shortages, fluctuations in the prices of building material and costs of labour charges, increase in real property gains tax and other applicable taxes and adverse changes in property tax assessments and other statutory charges.

Whilst the Board intends to reduce the impact of such risks through practicing efficient operating procedures and prudent financial management, including reviewing its property development strategies such as concept, product mix, pricing and timing of launches as well as continuously monitoring the prevailing market conditions, there can be no assurance that any adverse change in the economic, social and political conditions of the country will not have a material adverse effect on the Group.

#### **8.4. Funding and interest rate risk**

The Group will seek external financing to finance the Rantau Purchase Consideration and Yik Wang Tranche 1 Cash Consideration as well as potentially obtain additional borrowings to fund the development costs for the property assets of the Blossom Group. The Group's ability to arrange for external financing and the costs of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from the banks or other lenders, investors' confidence in the Company or any restriction imposed by the Government of Malaysia and political, social and economic conditions in Malaysia.

There can be no assurance that the necessary financing will be available in amounts or on terms acceptable to the Group. In addition, the Group could potentially be exposed to fluctuation in interest rates on such external financing obtained, leading to a higher borrowings costs that may adversely affect the Group's financial performance, as well as its ability to service future loan repayment obligations.

Nevertheless, the DBE Group will continuously monitor and review its debt portfolio, which include taking into consideration of the Group's gearing level, interest costs and cash flows in achieving an overall optimal capital structure.

#### **8.5. Risk of impact from the COVID-19 on the Target Companies**

The COVID-19 may have a significant impact on the sales and construction progress of Blossom Group depending on the impact of the COVID-19 on the Malaysian overall economy which in turn has a trickle-down effect on the general property sector, as well as impacting Blossom Group's supply of raw material and the ability of its contractors to meet their respective construction deadline.

As a result of the COVID-19 outbreak in Malaysia, the Government of Malaysia has imposed the MCO on 18 March 2020 and two subsequent 14 days extensions of the MCO were announced on 25 March 2020 and 10 April 2020 respectively to extend the effective date of the MCO from 1 April 2020 until 14 April 2020 and thereafter from 15 April 2020 until 28 April 2020 ("**MCO Period**"). The Government of Malaysia had subsequently imposed a CMCO commencing from 4 May 2020 until 9 June 2020 as a step towards reopening the Malaysian economy, by loosening the regulations of the MCO in a controlled manner. Most economic sectors and activities were allowed to operate (including property development and construction activities) while observing business standard operating procedures imposed by the Government of Malaysia.

In view of the MCO and CMCO, there may be potential delays in the completion of the development projects as compared to the intended timeline which may result in liquidated ascertained damages being incurred. The extent of these liquidated ascertained damages, if any, is dependent on the Target Companies obtaining approval from the relevant authorities for an extension of time to meet the completion date of its projects and/or the ability of the Target Companies to expedite its construction activities to meet the intended deadline. However, there can be no assurance that the aforementioned events can materialise.

Additionally, due to the implementation of the MCO and CMCO, the sales of Blossom Group have been temporarily affected as there is minimal sales recorded for on-going phases as well as delay in its new launches (i.e. delay of Phase 3A of BBSAP) during this period. Therefore, the revenue of the Target Companies for the year 2020 may be temporarily affected. There can be no assurance on the period needed for Blossom Group to recover its sales back to the rate prior to the COVID-19 outbreak.

Nonetheless, in view that the development projects undertaken by Blossom Group are affordable housing in nature, the Company does not foresee that the sales of Blossom Group's development projects will be adversely impacted in the mid to long term.

In addition, the DBE Group will proactively engage with the Vendors to monitor the development progress of the Target Companies' on-going projects closely in order to minimise the risk of any delay in completion of the development projects.

#### **8.6. Risk of impact of COVID-19 on the economy and the Proposed Acquisitions**

Global economic growth has been affected due to the outbreak of COVID-19 and its rapid spread across the globe. Inevitably, social and economic conditions in Malaysia will be affected by the COVID-19 outbreak.

In this respect, the Company notes that there are various government initiatives being introduced to ease this difficult period (as highlighted under Section 9.2 of Part A of the Circular), which includes, amongst others, Bank Negara Malaysia reducing the Overnight Policy Rate, announcement of the automatic moratorium on loan repayments for small and medium enterprises and individuals to relieve the burden on businesses and households affected by the COVID-19 outbreak. In addition, various fiscal and monetary stimulus packages were also introduced by the Government to provide an economic buffer to deter a contraction in economic activities for the year 2020. However, as at this juncture, the Company is unable to assess the benefits and impact from these various initiatives introduced by the Government of Malaysia on the outlook and prospects of the property market in Malaysia.

Due to the current market uncertainty, there is no assurance that the Company is able to fully realise the earnings potential from the Target Companies in a timely manner.

Nonetheless, in view that the development projects undertaken by Blossom Group are affordable housing in nature, the Company does not foresee that the sales of Blossom Group's development projects will be adversely impacted in the mid to long term. The Company will continuously monitor the progress of the COVID-19 outbreak and its effects on the economy and implement changes to operating procedures and financial management strategies to the enlarged DBE Group to minimise any negative impact from the COVID-19 outbreak on the Malaysian economy.

Further, notwithstanding the uncertainty arising from the effects of the COVID-19 outbreak on the economy and property market in Malaysia, the Valuer, has affirmed the market value of Blossom Group Properties in its Valuation Certificate (as enclosed under Appendix IV of this Circular) after considering, *inter-alia*, available market evidences, past historical economic cycles vis-à-vis the property market performance, the profile of the Blossom Group, the type and product range offered, buyers' profile and overall demand for such properties offered by the Blossom Group.

#### **8.7. Risk of non-compliance with the Public Spread Requirements**

Notwithstanding the undertaking by the Vendors as highlighted in Section 2.10 of Part A of this Circular, there is no guarantee that the Public Spread Requirement will be met if the Proposed Private Placement cannot be successfully implemented within the stipulated timeframe and/or the Consideration RCPS is mandatorily converted upon its maturity and no other proposal is successfully implemented to address the non-compliance or/and inadvertent breach of the said undertaking. Under such event, the Company will have to apply to Bursa Securities for an extension of time to comply with the Public Spread Requirement whilst proactively undertake measures / proposals to rectify the shortfall. Notwithstanding the aforementioned, there can be no assurance that the application for extension of time will be approved by Bursa Securities nor the intended Public Spread Requirements can be rectified within the stipulated timeframe approved by Bursa Securities.



## 9. INDUSTRY OVERVIEW AND PROSPECTS

Information in the ensuing Sections 9.1, 9.2 and 9.3 are extracted from the most recent available government publications and other publicly available resources.

### 9.1. Overview and prospects of the Malaysian economy

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020. At 0.7%, this was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Following two months of steady expansion, economic activity experienced a sharp downshift in March as a result of MCO (18 – 31 March). This was evidenced by the decline in the Industrial Production Index and Index of Wholesale and Retail Trade which recorded an average growth of 3.4% and 5.5%, respectively, in January-February before contracting to -4.9% and -6.1% in March (1Q 2020: 0.4% and 1.5% respectively). The MCO comprised government closure of schools, universities and non-essential services, border closures and restrictions on public movement, work and operating hours, as well as mandatory social distancing and personal protection measures. Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, E&E, as well as selected industries in the primary and consumer clusters in the manufacturing sector.

Sectors which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, construction activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the E&E manufacturing sub-sector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail sub-sectors, and a temporary halt in ongoing investments.

Growth moderated sharply across major economic sectors weighed by the MCO in March and prevailing commodity supply disruptions. The construction sector declined by 7.9% during the quarter (4Q 2019: +1.0%), reflecting mainly the halt in activities during the MCO. This had more than offset the progress in the large transportation projects and activities in the affordable housing segments during the early part of the quarter.

Domestic demand registered a modest growth of 3.7% in the first quarter (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. The subdued investment activity was mainly attributable to the containment measures undertaken by authorities both globally and domestically. Domestic demand was also affected by weaker consumer sentiments and business confidence, given the heightened uncertainty surrounding COVID-19. In addition, net exports performance was also a large drag to growth during the quarter. Nonetheless, growth was supported by continued expansion in private and public consumption.

During the quarter, private consumption growth moderated to 6.7% (4Q 2019: 8.1%). In January and February, retail and financing data indicated continued strength in consumption spending growth. The MCO in the second half of March affected spending to some extent, but mainly for big-ticket and leisure-related items such as car purchases and recreational services. Amid soft labour market conditions, stimulus measures such as bringing forward the Bantuan Sara Hidup disbursement from the second quarter to March, and the cut in the Overnight Policy Rate (OPR) particularly in January provided important support to spending. The availability of online delivery platforms also cushioned the impact of movement restrictions. Public consumption expanded at a faster pace of 5.0% (4Q 2019: 1.3%), supported by higher spending on both emoluments and supplies and services.

Private investment growth registered its first contraction since the fourth quarter of 2010 (1Q 2020: -2.3%; 4Q 2019: 4.3%), as subdued external conditions and heightened uncertainty affected business sentiments and investment intentions. In addition, the MCO had resulted in some disruption to ongoing construction projects and delivery of machinery and equipment (M&E). Public investment recorded a larger decline of 11.3% (4Q 2019: -8.0%). This was due to a larger contraction in capital spending by both general government and public corporations during the quarter.

*(Source: BNM Quarterly Bulletin: Developments in the Malaysian Economy in the 1<sup>st</sup> - Quarter 2020, Bank Negara Malaysia)*

2020 is an exceptionally challenging year for the global economy. Confronted with an unprecedented health crisis, global growth is expected to contract. As an open economy, Malaysia will not be spared. Malaysia's GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand, supply chain disruptions and COVID-19 containment measures both abroad and domestic.

While the MCO and measures to promote social distancing will dampen economic activity temporarily, they are necessary to contain the spread of the virus. The Government's stimulus package will help to cushion the economic fallout. Both Pakej Rangsangan Ekonomi 2020 and Pakej Rangsangan Ekonomi Prihatin Rakyat as well as the Bank's financial measures will provide sizable support to households and businesses. These measures are expected to add 2.8 percentage points to 2020 GDP growth. Also supporting growth is the ongoing large-scale infrastructure projects, which are expected to provide an additional 1 percentage point lift to growth in 2020.

There remains significant uncertainties surrounding the growth outlook, with both upside and downside risks to the outlook. Downside risks stems from more prolonged and wider spread of COVID-19 globally and domestically, recurring commodities supply disruptions and tighter financial conditions following heightened volatility in financial markets. However, there are also upside risks, emanating from potentially larger-than-expected impact from the pro-growth measures, faster normalisation in activity amid pent-up demand and better-than-expected global economy, arising from the various stimulus measures. Bank Negara expects the Malaysian economy to rebound in 2021, in line with the projected global recovery. The health crisis is rapidly evolving and Bank Negara will continue to monitor and assess the development of the pandemic and its economic impact.

The factors that have enabled Malaysia to weather past episodes of shocks are expected to continue to serve the Malaysian economy well. Malaysia will continue to benefit from having diversified sources of growth, economic flexibility, adequate buffers, a strong financial system and robust policy frameworks that have been built over the years.

*(Source: Economic and Monetary Review 2019, Bank Negara Malaysia)*

## 9.2. Overview and prospects of the property and construction market in Malaysia

The Malaysian property market recorded a marginal improvement in 2019. A total of 328,647 transactions worth RM141.40 billion were recorded, showing an increase of 4.8% in volume and 0.8% in value compared to 2018, which recorded 313,710 transactions worth RM140.33 billion. Sectoral market activity performance improved marginally – residential (6.0%), commercial (7.2%), industrial (3.8%) and agricultural (2.0%) with the exception of development land sub-sector, which declined slightly by 1.2%.

The residential sub-sector led the overall property market, with 63.7% contribution. There were 209,295 transactions worth RM72.42 billion recorded in the review period, increased by 6.0% in volume and 5.3% in value as compared with 2018 (197,385 transactions worth RM68.75 billion). Performance across the states improved in the review period. By price range, demand continued to focus on RM300,000 and below, accounting for 61.7% of the residential transaction, followed by RM300,000 to RM500,000 (21.3%), RM500,000 to RM1,000,000 (13.3%) and more than RM1,000,000 (3.7%).

The overhang and unsold situation took an upturn. There were 30,664 overhang units worth RM18.82 billion, decreased by 5.1% in volume and 5.2% in value against 2018 (32,313 units worth RM19.86 billion). Similarly, the unsold units under construction and not constructed improved as the number dropped to 72,692 units and 16,774 units, down by 10.2% and 15.6% respectively.

The residential sub-sector is expected to be challenging in 2020. With the downside in the Consumer Sentiment Index at 82.3 points as at Q4 2019, coupled with the insecurity of employment and household income, there is a high likelihood that the purchase for big-ticket items such as houses may have to be put on hold by prospective purchasers.

The reducing numbers of overhang and unsold may probably level up in 2020. Market absorption may be slower given the current economic and financial situation. The much-debated issue on overhang which revolves on mismatch of housing product, location and affordability appear to be more challenging to resolve. Nevertheless, government has given continuous support, with special focus on the affordable segment and more affordable homes priced below RM300,000 would be built for B40 and M40 groups under the National Housing Policy 2.0 programmes.

Various incentives are initiated to tackle the affordability and home ownership issues for the nation, B40 and M40 groups in particular, which include:-

- (i) Youth Housing Scheme by BSN - to extend the scheme from January 1, 2020 until December 31, 2021.
- (ii) Rent-to-own (RTO) financing scheme for first-time homebuyers for housing projects priced up to RM500,000. The applicant will rent the property for up to 5 years and after the first year, the tenant will have the option to purchase the house based on the price fixed at the time the tenancy agreement is signed.
- (iii) Property Crowdfunding - In September 2019, the Securities Commission Malaysia (SC) announced that EdgeProp Sdn Bhd (EdgeProp) has been registered as the first recognised market operator to establish and operate a property crowdfunding (PCF) platform in Malaysia.
- (iv) MyKNP (Khidmat Nasihat Pembiayaan) launched by Bank Negara Malaysia (BNM) to provide free of charge advisory service to applicants who failed to secure home loan.

The commercial sub-sector, in particular shopping complex, purpose-built office and hotel is expected not be spared from the headwinds in the global markets, coupled with the impact of COVID-19 outbreak and expected slowdown in PR China.

Construction activities remained on a low tone as completion, starts and new planned supply declined. Completions were down by 6.2% to 87,731 units (2018: 93,547 units) though Johor and Pulau Pinang recorded higher completion against 2018. Starts reduced by 17.3% to 100,908 units in 2019 (2018: 122,065 units) as all major states took a laid-back approach. Likewise, new planned supply dropped by 15.2% to 90,227 units (2018: 106,345 units). Nevertheless, Selangor, Johor and Pulau Pinang recorded higher new planned supply, increased by 0.5%, 2.8% and 15.0% respectively. As at year-end, there were 5.73 million existing residential units with nearly 0.45 million in the incoming supply and 0.44 million in the planned supply.

There may be high near-term downside risks resulting from the unforeseeable outbreak of COVID-19 worldwide. This may dampen the anticipated economic growth, particularly for the first half year of 2020. The globally-affected outbreak is expected to take its toll on the world economies and the Malaysian economy, in particular tourism-related sectors such as airlines, retail, food and beverage and hospitality; as well as the manufacturing and selected services sector. The magnitude of the impact on the Malaysian economy would depend on the duration and spread of the outbreak not only in Malaysia but also in other countries, especially those that are Malaysia's major trading partners.

Many incentives are given by the government in the effort to cushion-off the impact on the property market. However, given the challenging market coupled with the downside in consumers and business community confidence, market activity and market absorption are likely to be slow.

Despite the economic headwinds, Malaysian property market is expected to remain resilient in the coming year. Affordable housing and finding the right solutions to the property overhang will continue to be the main agenda of the government. The close monitoring on the implementation of programmes under the National Housing Policy 2.0 (2018 – 2025) and various incentives introduced to promote home ownership among Malaysians, are expected to contain the overhang situation in the coming year. As Bank Negara Malaysia expects the Malaysian economy to rebound in 2021, in tandem with projected global recovery, the property market is anticipated to move in similar trajectory.

*(Source: Property Market Report 2019, JPPH Malaysia, released 30 April 2020)*

### **9.3. Overview and outlook of the property and construction market in Perak**

Perak's economy has continued to exhibit robust progress, posting higher GDP growth rate of 5.3% during 2018 (2017: 5.1%), driven mainly by the construction and services sectors.

Several notable projects and infrastructure works to boost the state's economy were announced in the tabling of Budget 2020. These include the RM150 million allocation to upgrade / extend the Sultan Azlan Shah Airport's runway to cater to larger-sized aircrafts. This will increase the number of routes from southern India and southern China amongst others.

Meanwhile, the on-going West Coast Expressway ("WCE") that spans 233km connecting Taiping in Perak to Banting Selangor is being completed by phases. Section 4 of the WCE is targeted to be opened by the first half of 2020, followed by Sections 1, 2, 3 and 6 in 2021; and lastly, Sections 7 and 11 in 2022. The expressway boasts about 21 interchanges and targets heavy vehicles as it connects Port Klang and Lumut Port.

As for the residential market, the state government has made improvements to the Perak State Housing Policy (DPNP) whereby for high-density housing projects measuring eight hectares, developers are now free to choose from four different components: 10 per cent for low-cost houses, 20 per cent each for middle-cost and affordable houses, and 50 per cent for houses at market prices. The policy is in line with the state government's target to build 50,000 units of low-cost houses within five years while it also encourages private sector participation in the construction of Rumah Perakku, with each unit priced between RM70,000 and RM250,000.

In the agriculture segment, the Perak State Agriculture Development Corporation (SADC) had implemented an integrated agriculture development in 2019. Known as Perak Agro Valley, the development in Bukit Sapi, Mukim of Lenggong encompasses circa 1,983.0 hectares and involves a collaboration from several parties including the Agriculture Department, Fisheries Department, Veterinary Services Department and Federal Agriculture Marketing Authority. Perak Agro Valley is expected to attract investment of RM1.4 billion with the cultivation of cash crops, vegetables, fruit trees and livestock farming.

Moving forward, the property market outlook for Perak is one of cautious optimism supported by various initiatives to boost activities in the residential and agriculture segments.

(a) Residential property market

The cumulative existing supply of residential property in Perak stood at 482,490 units as of 1H2019. There was an increase of 2.3% or 10,852 units from 1H2018, with some 20.1% made up of condominium / apartment units, followed by 15.5% of cluster and 6.6% of townhouse units.

The single storey terraced category continued to dominate the existing supply with circa 29.1% market share, followed by the 2-3 storey terraced and low-cost house with 23.1% and 17.7% respectively. The majority of the residential properties (47.7% or 230,213 units) are located Kinta District.

The total incoming supply of residential property in Perak stood at 35,158 units as of 1H2019. The single storey terraced category will continue to dominate new supply with circa 38.1% share, followed by properties in the 2-3 storey terraced and condominium categories with circa 21.9% and 14.6% respectively.

The majority of new single storey terraced units (5,571 units) will come from Manjung District while another 3,505 units of 2-3 storey terraced houses and 2,754 units of condominiums / apartments will be from Kinta District.

As for planned supply, there were 42,972 units as of 1H2019 with the condominium / apartment category contributing the highest share with circa 29.4%, followed by the single storey terraced and 2-3 storey terraced categories with circa 23.6% and 23.3% respectively. The majority of planned supply (21,739 units) will come from Kinta District.

The residential property sub-sector in Perak was less active in 1H2019 compared to the corresponding period in the previous year. A total of 9,910 transactions valued at RM1,940.99 million changed hands in 1H2019 (1H2018: 10,384 transactions worth RM1,912.10 million). Despite the lower transaction volume (-4.6%), the value of transactions was marginally higher by 1.5%. This indicates that higher valued residential properties were transacted during the review period.

The transactions comprise of 2,513 units (or 25.4% share) in the single storey terraced category, followed by transactions in the vacant plot (24.1%) and 2-3 storey terraced (18.1%) categories respectively.

As for transacted value, residential properties in the 2-3 storey terraced category topped with RM511.82 million (26.4%), followed by the single storey terraced (24.6%) and detached (12.9%) categories respectively.

(b) Commercial property market

As of 1H2019, the cumulative existing supply of commercial properties in Perak stood at 61,539 units. There was an increase of 1,205 units from 1H2018, made up 742 units of 2 - 2½ storey terraced shops, 289 units of 3 - 3½ storey terraced shops, 88 units of 4 - 4½ storey terraced shops, 76 units of 1 - 1½ storey terraced shops and 10 units of semi-detached shops.

The 2 - 2½ storey terraced shop category dominates the existing supply with circa 54.6% market share, followed by the 3 - 3½ storey terraced shop (17.6%) and pre-war shop (9.4%) categories. Kinta District accounted for the bulk of existing supply with 25,828 units or 42.0% of total units in the state.

As for the incoming supply, there were about 4,025 units of commercial shops in the pipeline as at 1H2019. The 3 - 3½ storey terraced shop and 2 - 2½ storey terraced shop categories made up circa 44.2% and 39.9% of new supply respectively. The majority of new 3 - 3½ storey terraced shops will be located in Kampar District (827 units) while shops in the 2 - 2½ storey category will mostly come from Kinta District (448 units).

Another 3,047 units were in the planning stage as of 1H2019. Most of the planned supply will come in the form of 2 - 2½ storey terraced shops (59.9%), followed by the 3 - 3½ storey terraced shops (27.3%) and 1 - 1½ storey terraced shops (8.6%) respectively.

In 1H2019, Perak recorded a total of 956 transactions valued at RM430.07 million, 18.6% and 9.5% higher in terms of volume and value of transactions respectively compared to the preceding year (1H2018: 806 transactions valued at RM392.88 million).

The 2 - 2½ storey terraced shop category was the most actively transacted accounting for 52.2% share of total transacted volume in the commercial shop sub-sector, followed by the 3 - 3½ storey terraced shop (14.7%) and vacant plot (12.7%) categories. In terms of value, the 2 - 2½ storey terraced shop category also topped with circa 47.0% share or RM202.23 million, followed by 3 - 3½ storey terraced shop (24.6%) and vacant plot (8.6%) categories respectively.

(c) Agriculture property market

In Perak, a total of 5,613 transactions in the agriculture sub-sector with collective value of RM1,204.80 million changed hands in 1H2019. The vacant land category dominates transaction volume (35.4% share), followed by the oil palm (28.8%) and paddy (12.0%) categories. In terms of value, the estate category topped with RM452.28 million (37.5% share), followed by the oil palm (30.1%) and vacant land (17.6%) categories.

*(Source: Valuation Reports dated 24 February 2020 prepared by Knight Frank)*

#### **9.4. Prospects of the Target Companies**

There are two main affordable township developments undertaken by Blossom Group namely BBSAP and LTI with an aggregate remaining GDV of approximately RM2.30 billion. Besides the aforementioned, Blossom Group is also involved in smaller township development, namely Taman Mulia, which has a remaining GDV of approximately RM124.65 million.

The management is confident of the prospects of these townships development after taking into consideration these developments are located on sizeable land area which enables better planning for infrastructure, amenities and utilities. In this respect, BBSAP is a self-sustainable township development that offers a diverse mix of affordable residential products supported by variety of facilities and supporting amenities including clubhouse, swimming pool, golf course, fitness facilities, playground, 24/7 security, police station, fire station, clinic and commercial lots. Likewise, for LTI, its sizeable plots also offer a diverse mix of affordable residential housing with facilities including clubhouse and a central park. Further, Taman Mulia which encompasses a gross township land area of about 55.52 acres, is a township development offering an array of residential units together with other supporting public amenities, infrastructure and open area.

In addition, these townships are situated at strategic locations which will augur well for potential buyers and investors. BBSAP is situated approximately 10km away from Sitiawan Square that provides an array of commercial, retail and hospitality components and is well connected through the WCE that is expected to be completed by 2020 which will improve the accessibility to the locality by connecting Perak to Selangor. The 5 phases of BBSAP (excluding Phase 1) which had been launched and is presently at various stages of construction have an average take up rate of approximately 81% as at the valuation date.

Meanwhile, LTI is located approximately 8.5km from Teluk Intan town centre, the third largest town in Perak which is surrounded with amenities including hospitals, universities and malls. It is also situated about 4.0km off WCE to its west. Taman Mulia on the other hand is located approximately 2km due south-west of the Sitiawan town centre. As at the valuation date, Phase 1 of the development which was launched in August 2018 has a take-up rate of approximately 53%.

In addition to the above, both BBSAP and Taman Mulia are freehold in tenure, hence enhancing its attractiveness to potential buyers and investors. Additionally, there are also not many similar developments akin to BBSAP, LTI and Taman Mulia hence there may be lesser competition from existing and new township development around the vicinity of these townships. The management is positive in regards to the prospects of the Blossom Group's township development having considered the encouraging take-up rates of their respective projects and coupled with the considerations mentioned above, is of the opinion the property development projects of Blossom Group will contribute positively to the financial performance of DBE Group following the Proposed Acquisitions.

Additionally, it should be noted that Blossom Group still has some completed and unsold properties held as inventories. In this respect, the Company, taking into consideration the overall encouraging take-up rates of Blossom Group projects, will continue with its strategy to aggressively market such remaining unsold products via various in-house and external sales agents, offering attractive promotions and commissions as well as focusing on appropriate market segments / target market customers.



It is the intention of the Blossom Group to continue and focus on developing its existing township developments in view that it still has sizeable vacant landbanks, aggregating to approximately 1,145 acres. Notwithstanding the above, the Group also intends to expand its geographical reach beyond the Northern region, if and when such opportunities arises in the future.

Rantau is the in-house project management arm of Blossom Group where the outstanding orderbook of Rantau as at 31 December 2019 predominantly comprises of construction contracts awarded by the Blossom Group for its development projects. On the other-hand, Yik Wang is principally involved in trading of building materials and hardware. In addition to providing an additional source of income to DBE Group, the materials may also be used by the development projects undertaken by the Blossom Group. In view that over the next few years, the Blossom Group will be actively launching various phases of its BBSAP and LTI townships with an aggregate remaining GDV of approximately RM2.30 billion, the management is confident on the prospects of Rantau and Yik Wang and their ability to support and complement the development projects of Blossom Group.

The Board takes cognisance that the Government of Malaysia had on 16 March 2020 announced that the MCO issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 had been imposed in an effort to contain the COVID-19 outbreak in Malaysia. All government and private premises except those involved in essential services are to be closed during the period of the enforcement of the MCO. The MCO was imposed on 18 March 2020 and two subsequent 14 days extensions of the MCO were announced on 25 March 2020 and 10 April 2020 respectively to extend the effective date of the MCO from 1 April 2020 until 14 April 2020 and thereafter from 15 April 2020 to 28 April 2020.

The Government of Malaysia on 1 May 2020, subsequently announced the CMCO, a relaxation of regulations regarding the MCO, with its main goal being to reopen the national economy in a controlled manner. Under the CMCO, most economic sectors and activities are allowed to operate (including property development and construction activities) while observing the business standard operation procedures imposed by the Government of Malaysia such as social distancing and recording the details of customers/ visitors.

Accordingly, the Board further notes that the property market is not excluded from negative pressures arising from the MCO Period and CMCO (including any potential subsequent MCO to be imposed of the Government of Malaysia) and the COVID-19 outbreak, such as reduced demand for new properties, stalled construction works and the anticipated reduced economic growth in the short term. However, the Board is of the view that the impact to the Target Companies is expected to be minimal taking into consideration the following:-

(i) Resilience in the demand for affordable homes

Based on the historical market trend, the Board notes that even during times of economic recession, the number of transactions for affordable residential properties in Perak (priced below RM250,000) have remained relatively stable. This augurs well for Blossom Group as its development projects caters to this segment of the market and thus will be less affected during an economic downturn.

(ii) Sufficiency of demand

The majority of purchasers for the Blossom Group's on-going projects are from the public sector, whereby their employment is expected to be more stable and is less affected by an economic downturn. Public sector employees also enjoy various government assisted financing which will reduce the financial burden of these purchasers during any economic downturn.



In addition, the demand for Blossom Group's development projects is supported not only by the Perak population but also by interstate migration as well, wherein more than half of the total purchasers for the Blossom Group's development projects are from interstate. The Board further notes that based on house ownership data in Perak, there is a sizable amount of Perak households which currently does not own homes and hence may be seeking to purchase a residential property.

(iii) Competitive advantage of Blossom Group's development projects

Whilst the Blossom Group's developments are in the affordable price range, its development projects comprise full-fledged townships with supporting amenities such as school, police station, fire station, clinic and commercial lots together with its strategic locations close to the main towns in Perak and major highways.

Such product offerings are generally not widely available in Perak and hence the recent launches of BBSAP and LTI have enjoyed good take-up rates.

*(Source: Management of DBE)*

## 10. EFFECTS OF THE PROPOSALS

The Proposed Amendments and the Proposed Exemption will not have any effect on the share capital, substantial shareholder's shareholding, as well as NA, gearing and earnings of DBE.

The conversion of Warrants B has not been taken into consideration for the illustration of the effects of the Proposals in the ensuing sections as the exercise price of the Consolidated Warrants of RM1.25 (after adjusting for Proposed Share Consolidation) is higher than the prevailing five (5)-day VWAP of the DBE Shares up to the LPD of RM0.6725 (after adjusting for Proposed Share Consolidation).

### 10.1. Share capital

The proforma effects of the Proposed Acquisitions, the Proposed Share Consolidation and the Proposed Private Placement on the issued share capital of DBE are as follows:-

	No. of DBE shares ('000)	RM ('000)
Issued share capital as at the LPD	2,837,229	61,135
After the Proposed Share Consolidation	113,489	61,135
To be issued pursuant to the Proposed Acquisitions <sup>(i)</sup>	150,000	119,625
<b>After the Proposed Acquisitions</b>	<b>263,489</b>	<b>180,760</b>
To be issued pursuant to the Proposed Private Placement (up to) <sup>(ii)</sup>	135,000	108,000
	<b>398,489</b>	<b>288,760</b>
To be issued pursuant to the full conversion of Consideration RCPS (up to)	716,192	501,335
<b>Enlarged issued share capital (up to)</b>	<b>1,114,681</b>	<b>790,095</b>

**Notes:-**

- (i) *Comprising both Consideration Shares and Settlement Shares.*
- (ii) *Computed based on the indicative issue price of the Placement Shares of RM0.80 per Placement Share and assuming 135,000,000 Placement Shares are fully placed out.*

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Name	(III) After (II) and the Proposed Private Placement				(IV) After (III) and full conversion of the Consideration RCPS <sup>(3)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of DBE Shares	%	No. of DBE Shares	%	No. of DBE Shares	%	No. of DBE Shares	%
Doh Properties	37,571,208	9.43	-	-	37,571,208	3.37	-	-
Setia Awan	-	-	37,571,208 <sup>(1)</sup>	9.43	-	-	37,571,208 <sup>(1)</sup>	3.37
DDJM	2,300,800	0.58	187,571,209 <sup>(2)</sup>	47.07	2,300,800	0.21	903,763,497 <sup>(2)</sup>	81.08
DDTL	-	-	187,571,209 <sup>(2)</sup>	47.07	-	-	903,763,497 <sup>(2)</sup>	81.08
DDJC	-	-	187,571,209 <sup>(2)</sup>	47.07	-	-	903,763,497 <sup>(2)</sup>	81.08
Lagenda	150,000,001	37.64	-	-	866,192,289	77.71	-	-
Placee	135,000,000	33.88	-	-	135,000,000	12.11	-	-

**Notes:-**

- (1) Deemed interested pursuant to Section 8 of the Act by virtue of its shareholdings in Doh Properties.  
(2) Deemed interested pursuant to Section 8 of the Act by virtue of their shareholdings in Lagenda and Setia Awan, of which in turn holds 100% equity interest in Doh Properties.  
(3) Assuming all the Consideration RCPS (including the Retention RCPS) is issued and converted into Consolidated Shares. Notwithstanding the above, for avoidance of doubt, the Company had obtained undertaking from the Vendors that (i) they shall not convert any RCPS into Consolidated Shares or (ii) to place out such number of DBE Shares in order to comply with the Public Spread Requirement.

**10.3. Earnings and EPS**

The Proposed Acquisitions and the Proposed Private Placement are not expected to have a material impact on the earnings of the DBE Group for the FYE 31 December 2020 as such proposals are only expected to be completed by the fourth quarter of calendar year 2020.

The impact on the consolidated EPS of DBE will depend upon, amongst others, the financial contribution of the Target Companies vis-à-vis the dilution in the share capital of DBE arising from the issuance of the Consideration Shares and Placement Shares, as well as the conversion of the Consideration RCPS into DBE Shares.

For illustration purposes, assuming the Proposals had been effected at the beginning of FYE 31 December 2019, the proforma effects of the Proposed Acquisitions, the Proposed Share Consolidation and the Proposed Private Placement on the earning and EPS of DBE Group for the FYE 31 December 2019 are set out below:-

	(I) Audited as at 31 December 2019 (RM'000)	(II) Adjusted for the Completed Private Placement <sup>(1)</sup> (RM'000)	(III) After (I) and Proposed Share Consolidation (RM'000)	(IV) After (II) and Proposed Acquisitions (RM'000)	(V) After (III) and Proposed Private Placement (RM'000)	(VI) After (IV) and full conversion of the Consideration RCPS (RM'000)
PAT	7,691	7,691	7,691	125,103 <sup>(2)</sup>	123,603 <sup>(3)</sup>	123,603
No. of DBE Shares ('000)	2,678,229	2,837,229	113,489	263,489	398,489	1,114,681
Proforma EPS (sen)	0.29	0.27	6.78	47.48	31.02	11.09

**Notes:-**

(1) Adjusted for the issuance of 159,000,000 new DBE Shares at an issue price of RM0.027 per DBE Share.

(2) Computed as follows:-

	Earnings RM('000)
PAT after the Proposed Share Consolidation	7,691
Add: Audited PAT of the Target Companies *	123,912
Less: Estimated expenses for the Proposed Acquisitions ^	(6,500)
Proforma consolidated PAT of enlarged DBE Group after the Proposed Acquisitions	125,103

\* Being the net profit attributable to the owners of the company.

^ Consists of amongst others professional fees, placement fees and fees payable to the relevant authorities, printing cost of circular, advertising and miscellaneous expenses relating to the Proposed Acquisitions.

(3) After deducting the estimated expenses relating to the Proposed Private Placement of RM1.50 million.

Notwithstanding the above, the Proposed Acquisitions are expected to contribute positively to the future earnings of the DBE Group arising from the earnings contribution from the development projects of the Target Companies, whilst the Proposed Private Placement is expected to provide the necessary working capital and/or funds for future investment as well as reduce interest costs via the part utilisation of proceeds to repay borrowings.

#### 10.4. NA and gearing

Based on the latest audited consolidated financial statements of the DBE Group for the FYE 31 December 2019 and assuming the Proposals had been effected at the end the FYE 31 December 2019, the proforma effects of the Proposed Acquisitions, the Proposed Share Consolidation and the Proposed Private Placement on the NA and gearing of the DBE Group are as follows:-

	(I) Audited as at 31 December 2019 (RM'000)	(II) Adjusted for the Completed Private Placement (1) (RM'000)	(III) After (I) and Proposed Share Consolidation (RM'000)	(III) After (II) and Proposed Acquisitions (RM'000)	(IV) After (III) and Proposed Private Placement (RM'000)	(V) After (IV) and full conversion of the Consideration RCPS (RM'000)
Share capital	56,842	61,135	61,135	180,760	288,760	790,095
Retained earnings	6,035	6,035	6,035	254,895 <sup>(2)</sup>	253,395 <sup>(6)</sup>	253,395
RCPS equity	-	-	-	380,370	380,370	-
Reverse acquisition reserve	-	-	-	(502,681) <sup>(4)</sup>	(502,681)	(502,681)
<b>Shareholders' funds/NA attributable to owners of the Company</b>	<b>62,877</b>	<b>67,170</b>	<b>67,170</b>	<b>313,344</b>	<b>419,844</b>	<b>540,809</b>
Number of ordinary shares ('000)	2,678,229	2,837,229	113,489	263,489	398,489	1,114,681
NA attributable to owners of the Company per share (RM)	0.02	0.02	0.59	1.19	1.05	0.49
Net borrowings	-	-	-	189,361 <sup>(3)</sup>	82,862	82,862
Net gearing ratio (times)	-	-	-	0.60	0.20	0.15

#### Notes:-

(1) Adjusted for the issuance of 159,000,000 new DBE Shares at an issue price of RM0.027 per DBE Share.

- (2) After deducting the estimated expenses relating to the Proposed Acquisitions of RM6.50 million.
- (3) Represents the net borrowings of the enlarged DBE Group and assuming the aggregate of Rantau Purchase Consideration and Yik Wang Tranche 1 Cash Consideration of RM150.00 million will be satisfied via bank borrowings.
- (4) The Proposed Blossom Acquisition is accounted for in accordance with the Malaysian Financial Reporting Standard (MFRS) 3 – Business Combination, where Blossom Group has been identified as the accounting acquirer and the consolidation is prepared using reverse accounting method. Hence, DBE Group's consolidated statement of financial position represents a continuation of the financial statements of Blossom Group, except for the equity structure (i.e. the number and type of equity instruments issued) appearing in the consolidated financial statements which reflects the equity structure of DBE, including the equity instruments issued by DBE to effect the Proposed Acquisitions.

The reverse accounting reserve is derived from the following:-

	RM('000)
Issuance of Consideration Shares and Consideration RCPS for the Blossom Purchase Consideration	572,717
Reversal of Blossom Group Ordinary Shares	(50,500)
Excess of fair value of consideration over the NA of DBE Group	(19,536)
	<b>502,681</b>

- (5) After deducting the estimated expenses relating to the Proposed Private Placement of RM1.50 million.

#### 10.5. Convertible securities

Save for the 580,644,468 outstanding Warrants B, DBE does not have any other outstanding convertible securities.

Save for the adjustments made to the exercise price and/or number of outstanding Warrants B pursuant to the Proposed Share Consolidation as disclosed in Section 5.3 of Part A of this Circular, the Proposals will not give rise to any adjustments to the exercise price and/or number of outstanding Warrants B.

## 11. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the DBE Shares traded on Bursa Securities for the past 12 months up to the LPD are as follows:-

	High (RM)	Low (RM)
<b>2019</b>		
July	0.035	0.025
August	0.030	0.025
September	0.030	0.025
October	0.030	0.025
November	0.035	0.025
December	0.035	0.025
<b>2020</b>		
January	0.035	0.030
February	0.035	0.025
March	0.030	0.020
April	0.030	0.020
May	0.030	0.020
June (Up to the LPD)	0.030	0.025
Last transacted market price of DBE Shares as at 25 February 2020 (being the latest date prior to the announcement of the Proposals)	0.030	
Last transacted market price of DBE Shares as at 12 June 2020 (being the latest practicable date prior to the printing of this Circular)	0.030	

(Source: Bloomberg)

## 12. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITIONS PURSUANT TO PARAGRAPH 10.02(G) OF THE MMLR

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) Chapter 10 of the MMLR is 1,611.31%, calculated based on the aggregate value of the net profits of the Target Companies over the net profits attributable to the owners of the Group based on the latest audited financial statements of DBE Group for the FYE 31 December 2019.



### **13. APPROVALS REQUIRED**

The Proposals are subject to, *inter-alia*, the following approvals being obtained:-

- (i) Bursa Securities, for the Proposed Share Consolidation, listing of and quotation for the Consideration Shares, the Settlement Shares, new DBE Shares to be issued arising from the conversion of the Consideration RCPS and the Placement Shares on the Main Market of Bursa Securities. The approval was obtained vide its letter dated 29 May 2020 and subject to the following conditions:-
  1. DBE and AmInvestment Bank must fully comply with the relevant provisions under the MMLR pertaining to the implementation of the Proposed Acquisitions and Proposed Private Placement;
  2. AmInvestment Bank to inform Bursa Securities upon the completion of the Proposed Acquisitions and Proposed Private Placement;
  3. DBE/AmInvestment Bank to confirm and furnish the following to Bursa Securities prior to the listing and quotation of the Consideration Shares, Settlement Shares and Placement Shares:-
    - (a) Confirmation from AmInvestment Bank that DBE complies with 25% public shareholdings spread requirement pursuant to Paragraph 8.02(1) of the MMLR; and
    - (b) A certified true copy of the resolutions passed by the shareholders approving the Proposed Share Consolidation, Proposed Acquisitions and Proposed Private Placement.
  4. AmInvestment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisitions and Proposed Private Placement are completed;
  5. DBE to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the conversion of RCPS as at the end of each quarter together with a detailed computation of listing fees payable; and
  6. AmInvestment Bank is required to make the relevant announcement pursuant to Paragraph 13.20(2) of the MMLR in relation to the Proposed Share Consolidation.
- (ii) the approval of the Shareholders at an EGM to be convened for the Proposals;
- (iii) the approval of SC for the Proposed Exemption; and
- (iv) any other relevant authorities and/or parties, if required.

### **14. INTER-CONDITIONALITY**

The Proposed Acquisitions, the Proposed Amendments, the Proposed Exemption, the Proposed Share Consolidation and the Proposed Private Placement are inter-conditional upon one another. The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

Notwithstanding the approvals for the Proposals are inter-conditional upon each other, upon all approvals having been obtained for the Proposals, the Proposals will be implemented in stages. In this respect, the Proposed Share Consolidation shall be implemented prior to the Proposed Acquisitions and the Proposed Private Placement.

## 15. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

Save as disclosed below, none of the Directors and/or major Shareholders and/or persons connected with them have any interest, directly or indirectly, in the Proposals:-

### (i) Proposed Acquisitions

- (a) DDJM, the Managing 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 and director of Blossom, Rantau and Yik Wang. He is also the brother of DDTL and DDJC;
- (b) 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 Blossom, Rantau and Yik Wang. He is also the brother of DDJM and DDJC;
- (c) DDJC, the Non-Independent Non-Executive Director and major shareholder of DBE via his indirect shareholdings in Doh Properties through Setia Awan, is a major shareholder of Blossom, Rantau and Yik Wang. He is also the brother of DDJM and DDTL;
- (d) Doh Properties, the major shareholder of DBE via its direct shareholdings in DBE, is a major shareholder of Blossom. DDJM, DDTL and DDJC are the directors and major shareholders of Doh Properties; and
- (e) Setia Awan is deemed interested in view that DDJM, DDTL and DDJC are the directors of Setia Awan. DDJM, DDTL and DDJC are also the major shareholders of Setia Awan.

### (ii) Proposed Amendments, Proposed Share Consolidation and Proposed Private Placement

In view that the Proposed Acquisitions, the Proposed Amendments, the Proposed Share Consolidation and the Proposed Private Placement are inter-conditional upon each other, Setia Awan, Doh Properties, DDJM, DDTL and DDJC are also accordingly deemed interested in the Proposed Amendments, the Proposed Share Consolidation, the Proposed Private Placement and the Proposed Exemption.

### (iii) Proposed Exemption

In view that Lagenda is the nominee to receive the Consideration Shares and Settlement Shares, Doh Properties, Setia Awan, DDJM, DDTL, DDJC, DDNC and DLHK are the parties seeking for the Proposed Exemption, Doh Properties, Setia Awan, DDJM, DDTL and DDJC are deemed interested in the Proposed Exemption.

The shareholdings of the Interested Directors and the Interested Major Shareholders in DBE as at the LPD are as follows:-

	Direct		Indirect	
	No of DBE Shares	%	No of DBE Shares	%
<b><u>Interested Directors and/or Interested Major Shareholders</u></b>				
DDJM	57,520,000	2.03	939,280,220	33.11 <sup>(1)</sup>
DDTL	-	-	939,280,220	33.11 <sup>(1)</sup>
DDJC	-	-	939,280,220	33.11 <sup>(1)</sup>
Doh Properties	939,280,220	33.11	-	-
Setia Awan	-	-	939,280,220	33.11 <sup>(2)</sup>

**Notes:-**

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

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 Proposals.

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

**16. AMOUNT TRANSACTED WITH THE INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDERS FOR THE PRECEDING 12 MONTHS**

Save for the Proposed Acquisitions, there were no other transactions entered into by the Company with the Interested Directors, interested major shareholders and/or persons connected with them for the preceding 12 months up to the LPD.

**17. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board (save for the Interested Directors), having considered and deliberated on all aspects of the Proposals, is of the opinion that the Proposals:-

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

The opinion of the Board (save for the Interested Directors) was arrived after having considered, *inter alia*, the terms and conditions of the Proposals, the rationale of the Proposals and the prospects of the Target Companies, as well as the evaluation of the Independent Adviser.

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

**18. AUDIT AND RISK COMMITTEE'S STATEMENT**

The Audit and Risk Committee of the Company (save for the Interested Directors), having considered and deliberated on all aspects of the Proposals, is of the opinion that the Proposals:-

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

The opinion of the Audit and Risk Committee (save for the Interested Directors) was arrived after having considered, *inter alia*, the terms and conditions of the Proposals, the rationale of the Proposals and the prospects of Target Companies, as well as the evaluation of the Independent Adviser.

## 19. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and the Proposed Change of Name, as at the LPD, there is no other corporate exercise which has been announced but pending completion.

## 20. ADVISERS

AmInvestment Bank has been appointed as the Principal Adviser to DBE for the Proposals and as the sole Placement Agent for the Proposed Private Placement.

In view of the interests of the Interested Directors and the Interested Major Shareholders as set out in Section 15 above, Mercury Securities has been appointed as the Independent Adviser to provide the non-interested directors and non-interested shareholders of DBE of the Proposed Acquisitions and Proposed Exemption with:-

- (i) an independent evaluation of the Proposed Acquisitions and Proposed Exemption;
- (ii) an opinion as to whether the Proposed Acquisitions and Proposed Exemption are fair and reasonable and whether the Proposed Acquisitions and Proposed Exemption are detrimental to the non-interested shareholders of the Company; and
- (iii) a recommendation as to whether the non-interested shareholders of the Company should vote for or against the resolutions pertaining to the Proposed Acquisitions and Proposed Exemption to be tabled at the forthcoming EGM.

Knight Frank has been appointed by the Board to conduct valuation on the Blossom Group Properties.

## 21. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the fourth (4<sup>th</sup>) quarter of calendar year 2020.

The tentative timeline in relation to the implementation of the Proposals are as follows:-

Date	Events
14 July 2020	EGM for the Proposals
August 2020	Completion of the Proposed Share Consolidation
August 2020	Completion of the Proposed Acquisitions
November 2020	Completion of the Proposed Private Placement

## 22. EGM

The EGM of DBE, the Notice of which is available on the Company's website at [www.dbequrney.com](http://www.dbequrney.com) will be held fully virtual and entirely via remote participation and voting at the Broadcast Venue: Level 1, Conference Room, No. 131, Persiaran PM 2/1, Pusat Bandar Seri Manjung Seksyen 2, 32040 Seri Manjung, Perak Darul Ridzuan on Tuesday, 14 July 2020 at 11:30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposals as described therein.

If you are unable to participate at the EGM, you are requested to complete, sign and return the Proxy Form available at:-

- (i) Company's website [http://www.dbequrney.com/company\\_investor\\_financial\\_info.html](http://www.dbequrney.com/company_investor_financial_info.html);  
or
- (ii) Bursa Securities' website:  
[https://www.bursamalaysia.com/market\\_information/announcements/company\\_announcement?keyword=&cat=CS%2CCSCO&sub\\_type=&company=7179&mkt=&alph=&sec=&subsec=&dt ht=&dt lt=](https://www.bursamalaysia.com/market_information/announcements/company_announcement?keyword=&cat=CS%2CCSCO&sub_type=&company=7179&mkt=&alph=&sec=&subsec=&dt ht=&dt lt=)

in accordance with the instructions printed thereon as soon as possible, 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 or submitted electronically through <https://web.vote2u.app>, not less than forty-eight (48) hours before the time for holding the EGM or at any adjournment thereof.

The completion and lodgement of the Proxy Form will not preclude you from participating and voting at the EGM should you subsequently decide to do so.

The EGM will be conducted fully virtual at the Broadcast Venue, the members are advised to refer to the Administrative Guide for Shareholders in Appendix IX of this Circular on the registration and voting process for the EGM.

### **23. FURTHER INFORMATION**

You are requested to refer to the enclosed appendices for further information.

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

**LOOI SZE SHING**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**PART B**

**INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES TO  
THE NON-INTERESTED SHAREHOLDERS OF DBE IN RELATION TO  
THE PROPOSED ACQUISITIONS AND THE PROPOSED EXEMPTION**

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## EXECUTIVE SUMMARY

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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 Proposed Acquisitions and Proposed Exemption.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to the Shareholders in relation to the Proposals 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 Proposed Acquisitions and Proposed Exemption.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolutions to give effect to the Proposed Acquisitions and Proposed Exemption 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 26 February 2020, the Company had entered into the following agreements:-

- (i) the Blossom SSA for the acquisition of the Blossom Sale Shares for the Blossom Purchase Consideration of up to RM642,546,412;
- (ii) the Rantau SSA for the acquisition of the Rantau Sale Shares for the Rantau Purchase Consideration of RM148,269,909; and
- (iii) the Yik Wang SSA for the acquisition of the Yik Wang Sale Shares for the Yik Wang Purchase Consideration of up to RM32,500,000.

In view of the interests of the Interested Directors and the Interested Major Shareholders (see Section 15, Part A of the Circular for their interests and course of actions in relation to deliberations and voting at the relevant Board meetings and at the EGM to be convened), the Proposed Acquisitions are deemed as related party transactions pursuant to Paragraph 10.08 of the MMLR.

Upon completion of the Proposed Acquisitions, the shareholdings of:-

- (i) Lagenda (being the nominee of the Vendors to receive the Consideration Shares, the Settlement Shares and the Consideration RCPS) in DBE will increase from 0% as at the LPD to 56.93%; and
- (ii) Lagenda and PACs ("PAC Group") in DBE will increase from 35.13% as at the LPD to 72.06%.

Pursuant to Paragraph 4.01 of the Rules, Lagenda (individually) and the PAC Group (collectively) will be obliged to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon completion of the Proposed Acquisitions. As the PAC Group has no intention to undertake the MGO, the PAC Group intends to submit an application to the SC to seek for an exemption from having to undertake the MGO pursuant to Paragraph 4.08(1)(a) of the Rules after obtaining the approval of the non-interested Shareholders for the Proposed Exemption at an EGM to be convened.

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**EXECUTIVE SUMMARY (cont'd)**

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In addition to the Proposed Acquisitions and Proposed Exemption, the Company proposed to undertake the following:-

- (i) Proposed Share Consolidation;
- (ii) Proposed Amendments; and
- (iii) Proposed Private Placement.

The Proposed Acquisitions, Proposed Amendments, Proposed Exemption, Proposed Share Consolidation and Proposed Private Placement are inter-conditional upon one another. Further details of the Proposals are set out in the following sections in Part A of the Circular:-

<b><u>Proposals</u></b>	<b><u>Section in Part A of the Circular</u></b>
(1) Proposed Acquisitions comprising:-	2
(a) Proposed Blossom Acquisition	2.1
(b) Proposed Rantau Acquisition	2.2
(c) Proposed Yik Wang Acquisition	2.3
(2) Proposed Exemption	3
(3) Proposed Amendments	4
(4) Proposed Share Consolidation	5
(5) Proposed Private Placement	6

On 26 February 2020, the Board had formally appointed Mercury Securities as the Independent Adviser to advise the non-interested Directors and non-interested Shareholders in respect of the Proposed Acquisitions (*pursuant to Paragraph 10.08(2) of the MMLR*) and the Proposed Exemption (*pursuant to Paragraph 3 of the Rules*). Mercury Securities subsequently, vide its letter dated 2 March 2020, declared its independence from any conflict of interest or potential conflict of interest to the SC in relation to its role as the Independent Adviser for the Proposed Exemption, which was subsequently noted by the SC on 6 March 2020.

Pursuant to Paragraph 4.08(3)(g) of the Rules, the SC has on 18 June 2020 notified that it has no further comments to the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

The purpose of this IAL is to provide the non-interested Shareholders with an independent evaluation on the Proposed Acquisitions and Proposed Exemption on a holistic basis together with our recommendation on whether the non-interested Shareholders should vote in favour of the Proposed Acquisitions and Proposed Exemption.

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**2. EVALUATION OF THE PROPOSED ACQUISITIONS AND PROPOSED EXEMPTION**

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisitions and Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules.

We have considered the following pertinent factors in our evaluation of the Proposed Acquisitions and Proposed Exemption.

Reference in IAL / Consideration factors	Our evaluation
<p><b>Section 3.1</b> Rationale for the Proposals</p>	<ul style="list-style-type: none"> <li>• <b><u>Proposed Acquisitions</u></b> <p>In line with DBE's long-term strategic plan, the Proposed Acquisitions represent an opportunity for the Group to further expand and entrench its position in the property development and related businesses in view of the following:-</p> <ul style="list-style-type: none"> <li>(i) <b><u>Proposed Blossom Acquisition</u></b> <p>The Blossom Group is principally engaged in the business of property development. The Proposed Blossom Acquisition will enable the DBE Group to significantly scale up its property development business via its participation in the Blossom Group's township developments, on-going projects and land banks (see Section 1.7, Appendix I of the Circular for information on Blossom Group Properties).</p> </li> <li>(ii) <b><u>Proposed Rantau Acquisition</u></b> <p>Rantau is principally engaged in project management for building construction and is the in-house project management arm of the Blossom Group. As at 31 December 2019, Rantau has an outstanding orderbook of approximately RM1.17 billion which mainly comprises construction contracts awarded by the Blossom Group for its development projects.</p> <p>By undertaking the Proposed Rantau Acquisition, the DBE Group will be in control of both property development and building construction functions for the development projects of the Blossom Group. This shall maximise the profit margins to be derived from the development projects as well as allow for better risk management and operational control, including amongst others on costs and timing of completion of its development projects.</p> <p>In view of the above, the Proposed Rantau Acquisition is synergistic to the Proposed Blossom Acquisition.</p> </li> <li>(iii) <b><u>Proposed Yik Wang Acquisition</u></b> <p>Yik Wang is principally engaged in trading of building materials and hardware (such as steel bars, wire mesh, cement, bricks, tiles and sanitary wares) in Malaysia.</p> <p>In addition to providing an additional source of income (i.e. the building material supply business) to the DBE Group, the Proposed Yik Wang Acquisition is also synergistic to the property development operations of the enlarged DBE Group as the building materials may also be used for its development projects.</p> </li> </ul> </li> </ul>

Reference in IAL / Consideration factors	Our evaluation
	<p>Over the next few years, the Blossom Group will be actively launching various phases of its BBSAP and LTI townships. In view thereof, Yik Wang may play an important role in procuring sufficient supply of building materials at reasonable prices to support and complement the development projects of the Blossom Group.</p> <p>By virtue of the business arrangements between the Target Companies, they conduct various revenue transactions with each other in their day-to-day operations. As the Target Companies will become wholly-owned subsidiaries of DBE upon completion of the Proposed Acquisitions, this will minimise administrative efforts, time and costs which would otherwise be incurred to comply with the requirements under the MMLR in respect of recurrent related party transactions between companies within the enlarged DBE Group to ensure that they are entered into at arm's length, on normal commercial terms and on terms not more favourable to those with third parties.</p> <p>Further, the Proposed Acquisitions will also eliminate any potential conflict of interests and competition within the same market segment between the Target Companies and the DBE Group in the future such as securing land banks and undertaking property development projects within the same vicinity and/or bidding for the same construction projects.</p> <p>Overall, the Proposed Acquisitions are expected to contribute positively to the financial performance of the DBE Group in view of the Target Companies' historical financial performance as well as the prospects of the Target Companies.</p> <ul style="list-style-type: none"> <li>• <b><u>Proposed Exemption</u></b></li> </ul> <p>Pursuant to the issuance of Consideration Shares and Settlement Shares to Lagenda upon completion of the Proposed Acquisitions, the shareholdings of:-</p> <ul style="list-style-type: none"> <li>(i) Lagenda in DBE will increase from 0% as at the LPD to 56.93%; and</li> <li>(ii) the PAC Group in DBE will increase from 35.13% as at the LPD to 72.06%.</li> </ul> <p>As a consequence, pursuant to Paragraph 4.01 of the Rules, Lagenda (<i>individually</i>) and the PAC Group (<i>collectively</i>) will be obliged to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon completion of the Proposed Acquisitions. As the PAC Group has no intention to undertake the MGO, the PAC Group intends to submit an application to the SC to seek for an exemption from having to undertake the MGO pursuant to Paragraph 4.08(1)(a) of the Rules after obtaining the approval of the non-interested Shareholders for the Proposed Exemption at an EGM to be convened.</p> <p>The Proposed Exemption, if approved by the SC, shall relieve the PAC Group from the obligation to undertake the said MGO.</p>

**EXECUTIVE SUMMARY (cont'd)**

Reference in IAL / Consideration factors	Our evaluation
	<ul style="list-style-type: none"> <li data-bbox="638 324 1404 515"> <p>• <b><u>Proposed Amendments</u></b></p> <p>The Proposed Amendments are necessary to facilitate the creation and issuance of the Consideration RCPS under the Proposed Blossom Acquisition and to incorporate the requisite new provisions to set out the rights relating to the Consideration RCPS.</p> </li> <li data-bbox="638 548 1404 929"> <p>• <b><u>Proposed Share Consolidation</u></b></p> <p>The higher trading price of the Company's shares following the Proposed Share Consolidation may increase the Company's profile amongst investors and lead to more attention by research houses and fund managers. This may in turn increase market interest and activity in the Consolidated Shares, and render the Consolidated Shares to be more attractive to investors.</p> <p>In addition, the Proposed Share Consolidation will rationalise DBE's share capital by reducing the number of shares in issue and the resultant higher theoretical adjusted reference price, may potentially reduce the degree of volatility in the market price of the Company's shares.</p> </li> <li data-bbox="638 963 1404 2049"> <p>• <b><u>Proposed Private Placement</u></b></p> <p>Taking into consideration the rationale for the Proposed Private Placement outlined in Section 7.5, Part A of the Circular, the Proposed Private Placement represents the most appropriate manner to raise funds in an expeditious and cost-effective way (as compared to a rights issue which requires more time and higher costs), without relying on equity funding from the existing Shareholders. In view of the quantum of gross proceeds to be raised (up to approximately RM108.00 million) vis-à-vis the market capitalisation of DBE as at the LPD (approximately RM85.12 million), a rights issue may place financial burden to the existing Shareholders.</p> <p>In addition, the level of discount accorded for a private placement is typically not as steep as a rights issue which will result in lesser number of shares to be issued in order to raise the same amount of gross proceeds. Additionally, a rights issue which typically requires major shareholders' undertaking to subscribe for the shares may also further dilute the Company's public shareholding spread and liquidity, in the event that there is low subscription rate for the rights issue.</p> <p>The financial impacts from the utilisation of proceeds from the Proposed Private Placement are as follows:-</p> <ul style="list-style-type: none"> <li data-bbox="694 1668 1404 1780">(i) an indicative interest saving of up to approximately RM1.01 million per annum from partial repayment of bank borrowings, before deducting tax shield effect of RM0.24 million;</li> <li data-bbox="694 1803 1404 1960">(ii) an amount of up to approximately RM82.00 million as working capital for the development of the on-going phases of BBSAP, LTI and Taman Mulia and any future investment opportunities such as acquisition of land banks and/or joint venture arrangements, should such opportunity arise; and</li> <li data-bbox="694 1993 1404 2049">(iii) disbursement of estimated expenses in relation to the Proposals.</li> </ul> </li> </ul>

**EXECUTIVE SUMMARY (cont'd)**

Reference in IAL / Consideration factors	Our evaluation
	<p>In addition, the Proposed Private Placement will enable DBE to increase the number of DBE Shares held by shareholders deemed as "public" according to the MMLR (<i>and hence, the liquidity of DBE Shares</i>) taking into consideration, amongst others, the effects of the issuance of the Consideration Shares as well as the potential conversion of the Consideration RCPS into new DBE Shares on the Company's shareholdings structure.</p> <p>In view of the inter-conditionality of the Proposals, without the approval being obtained for any of the Proposals, the Proposals will not proceed. Accordingly, DBE will not be able to realise the potential benefits arising from the Proposals as detailed in Section 8 of this IAL.</p> <p>Based on the above, we are of the view that the rationale of the Proposed Acquisitions and Proposed Exemption is justifiable.</p>
<p><b>Section 3.2</b> Basis and justification of arriving at the Blossom Purchase Consideration, Rantau Purchase Consideration and Yik Wang Purchase Consideration</p>	<ul style="list-style-type: none"> <li> <p>• <b><u>Evaluation of the Blossom Purchase Consideration</u></b></p> <p>In evaluating the Blossom Purchase Consideration, we have conducted a valuation on the Blossom Group. The Blossom Group is principally engaged in the business of property development. By virtue of the nature of the Blossom Group's principal activities and its business strategies, the Blossom Group has significant investments in real properties including on-going township developments, mixed residential and commercial development projects, land banks and completed properties as well as financial assets (<i>comprising trade receivables, other receivables and refundable deposits, fixed deposits with licensed banks as well as cash and bank balances</i>).</p> <p>In view that majority of the Blossom Group's assets (<i>which drive the revenue generation for the Blossom Group</i>) are real properties and financial assets, we view the RNAV methodology (<i>an asset-based valuation method</i>) as the most appropriate method to derive a valuation of the Blossom Group. The RNAV methodology is a generally accepted method in the valuation of property-based entities. This methodology takes into consideration any surplus and/or deficit (<i>net of tax</i>) attributable to the owners of Blossom arising from the revaluation of material assets of the Blossom Group to reflect their market values based on the presumption that the assets are realisable on a willing-buyer willing-seller basis in the open market.</p> <p>Based on the RNAV methodology, the estimated RNAV of the Blossom Group is approximately RM642.55 million.</p> <p>As the Blossom Purchase Consideration of up to RM642.55 million is <b>equivalent to</b> the estimated RNAV of the Blossom Group, we view the Blossom Purchase Consideration to be justifiable. In addition, we view the settlement of Blossom Related Party Advances (<i>which is based on outstanding loans or advances already currently owing by the Blossom Group to Doh Properties and its related parties and persons connected with it, which shall be assumed by DBE upon completion of the Proposed Blossom Acquisition</i>) to be justifiable.</p> </li> <li> <p>• <b><u>Evaluation of the Rantau Purchase Consideration</u></b></p> <p>In evaluating the Rantau Purchase Consideration, we have conducted a valuation on Rantau. Rantau is principally engaged in project management for building construction and is the in-house project management arm of the Blossom Group. As at 31 December 2019, Rantau has an outstanding orderbook of approximately RM1.17 billion which mainly comprises construction contracts awarded by the Blossom Group for its development projects.</p> </li> </ul>

Reference in IAL / Consideration factors	Our evaluation																					
	<p>In arriving at the valuation of Rantau, we have adopted the sum-of-parts valuation ("<b>SOPV</b>") model as our valuation method in view that the value of Rantau comprises (i) construction business and (ii) investment properties which are not used in generating income and/or cash flows for the construction business ("<b>Investment Properties</b>"). The SOPV represents the aggregate valuation of these components which shall be valued based on the respective appropriate valuation methods as follows:-</p> <table border="1" data-bbox="710 571 1372 649"> <thead> <tr> <th><u>Business segment / Asset</u></th> <th><u>Valuation method</u></th> </tr> </thead> <tbody> <tr> <td>(1) Construction business</td> <td>Discounted cash flow ("<b>DCF</b>")</td> </tr> <tr> <td>(2) Investment Properties</td> <td>NA</td> </tr> </tbody> </table> <p>We view the abovementioned valuation method to be the most appropriate method to estimate the value of Rantau for the reasons as set out in Section 3.2(B) of this IAL.</p> <p>Based on the SOPV model, we have derived an estimated value for the entire equity interest in Rantau of RM154.04 million:-</p> <table border="1" data-bbox="694 869 1388 1070"> <thead> <tr> <th><u>Business segment / Asset</u></th> <th><u>Valuation method</u></th> <th><u>Value (RM million)</u></th> </tr> </thead> <tbody> <tr> <td>Value of the:-</td> <td></td> <td></td> </tr> <tr> <td>(i) Construction business</td> <td>DCF</td> <td>150.47</td> </tr> <tr> <td>(ii) Investment Properties</td> <td>NA</td> <td>3.57</td> </tr> <tr> <td><b>Estimated value of Rantau</b></td> <td><b>SOPV</b></td> <td><b>154.04</b></td> </tr> </tbody> </table> <p>As the Rantau Purchase Consideration of RM148.27 million is <b>lower than</b> and represents a <b>discount</b> of approximately 3.75% to the estimated SOPV of Rantau of RM154.04 million, we view the Rantau Purchase Consideration to be justifiable. In addition, we view the settlement of Rantau Related Party Advances (<i>which is based on outstanding loans or advances already currently owing by Rantau to DDJM, DDTL and DDJC and their related parties and persons connected with them, which shall be assumed by DBE upon completion of the Proposed Rantau Acquisition</i>) to be justifiable.</p> <ul style="list-style-type: none"> <li> <p><b><u>Evaluation of the Yik Wang Purchase Consideration</u></b></p> <p>As set out in Section 2.3.1, Part A of the Circular, the Yik Wang Purchase Consideration is computed based on (i) the Profit Guarantee of a cumulative PAT of RM10.00 million in the Guaranteed Years, which translates to an average annual PAT of RM5.00 million ("<b>Average Profit Guarantee</b>") and (ii) an agreed PER of 6.50 times over the Average Profit Guarantee.</p> <p>In the event that:-</p> <ul style="list-style-type: none"> <li>(i) the Profit Guarantee is achieved, the Yik Wang Purchase Consideration shall be RM32.50 million, which represents a PER of 6.50 times over the Average Profit Guarantee; or</li> <li>(ii) the Profit Guarantee is not achieved, the Yik Wang Purchase Consideration shall be RM17.06 million, which represents a PER of 6.50 times over the audited PAT of Yik Wang for the FYE 31 December 2019 of approximately RM2.62 million.</li> </ul> </li> </ul>	<u>Business segment / Asset</u>	<u>Valuation method</u>	(1) Construction business	Discounted cash flow (" <b>DCF</b> ")	(2) Investment Properties	NA	<u>Business segment / Asset</u>	<u>Valuation method</u>	<u>Value (RM million)</u>	Value of the:-			(i) Construction business	DCF	150.47	(ii) Investment Properties	NA	3.57	<b>Estimated value of Rantau</b>	<b>SOPV</b>	<b>154.04</b>
<u>Business segment / Asset</u>	<u>Valuation method</u>																					
(1) Construction business	Discounted cash flow (" <b>DCF</b> ")																					
(2) Investment Properties	NA																					
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**EXECUTIVE SUMMARY (cont'd)**

Reference in IAL / Consideration factors	Our evaluation
	<p>In evaluating the Yik Wang Purchase Consideration, we have adopted the comparable company analysis, which is a method used to evaluate the value of a company by comparing its implied valuation multiples (<i>being PER of 6.50 times for the Proposed Yik Wang Acquisition</i>) against the trading multiples of listed companies which are broadly comparable to the company concerned.</p> <p>We view that the comparable company analysis is an appropriate valuation method to evaluate the Yik Wang Purchase Consideration based on the considerations as set out in Section 3.2(C) of this IAL.</p> <p>As the Yik Wang Purchase Consideration of up to RM32.50 million is computed based on an agreed PER of 6.50 times (<i>which is <b>lower than</b> the simple average PER of the comparable companies of 6.64 times, after adjusting for a 30% discount for lack of marketability and liquidity of Yik Wang Sale Shares</i>), we view the Yik Wang Purchase Consideration to be justifiable. In addition, we view the settlement of Yik Wang Related Party Advances (<i>which is based on outstanding loans or advances already currently owing by Yik Wang to DDJM, DDTL, DDJC, DDNC and DLHK and their related parties and persons connected with them, which shall be assumed by DBE upon completion of the Proposed Yik Wang Acquisition</i>) to be justifiable.</p>
<p><b>Section 3.3</b> Basis and justification in arriving at the issue price of the Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of Consideration RCPS</p>	<p><b>(Note: For the purpose of our analysis in this section, the market prices of DBE Shares have been adjusted for the Proposed Share Consolidation)</b></p> <p>The Issue Price:-</p> <ul style="list-style-type: none"> <li>(i) is <b>higher than</b> the daily VWAPs of the DBE Shares for approximately 89% of the total market days (<i>with trading volume</i>) for the past 1 year prior to the LTD and up to the LPD;</li> <li>(ii) represents a <b>premium</b> of RM0.0475 (6.33%) over the last traded market price of the DBE Shares on the LTD and a <b>premium</b> of between RM0.0075 (0.95%) and RM0.0250 (3.24%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the DBE Shares up to the LTD; and</li> <li>(iii) represents a <b>premium</b> of RM0.0475 (6.33%) over the last traded market price of the DBE Shares on the LPD and a <b>premium</b> of RM0.1250 (18.59%) over the 5-day VWAP of the DBE Shares up to the LPD.</li> </ul> <p>In addition to the above, the benefits and advantages for the partial satisfaction of the purchase considerations in respect of the SSAs, Blossom Related Party Advances, Rantau Related Party Advances and Yik Wang Related Party Advances ("<b>Total Considerations</b>") via the issuance of Consideration Shares, Settlement Shares and Consideration RCPS are as follows:-</p> <ul style="list-style-type: none"> <li>(i) the Proposed Acquisitions are very significant acquisitions for the DBE Group in view that the Total Considerations of up to RM856.36 million are about 10.1 times to the market capitalisation of DBE of RM85.12 million as at the LTD (<i>12.7 times to the consolidated NA of DBE of RM67.17 million based on the audited consolidated NA of DBE as at 31 December 2019 and after adjusting for the Completed Private Placement</i>).</li> </ul>

Reference in IAL / Consideration factors	Our evaluation
	<p>In view of the above and the funding requirements for working capital as well as any future investment opportunities of the enlarged DBE Group, DBE would not be able to rely solely on its cash reserves and/or bank borrowings to finance the Total Considerations and hence, this necessitates the issuance of Consideration Shares, Settlement Shares and Consideration RCPS as part of the mode of settlement for the Total Considerations.</p> <p>(ii) in view of the large financial commitment required to fund the cash outlay for the Total Considerations, an equity fund raising exercise such as rights issue may place a financial burden to the existing Shareholders and may not proceed if the minimum subscription level for the rights shares is not achieved.</p> <p>Further, such equity fund raising exercise is usually implemented with a discount to the prevailing market prices of DBE Shares (as opposed to the Issue Price which is at a premium over prevailing market prices). The issuance of new DBE Shares at a discount to its prevailing market prices will entail issuance of a larger number of DBE Shares. Additionally, a rights issue typically requires major shareholders' undertaking to subscribe for the shares</p> <p>Accordingly, in the event that there is low subscription rate for the rights issue, the major shareholders (by virtue of their undertaking) will be subscribing for new DBE Shares at a price lower than the Issue Price. This will result in a greater dilution in the existing shareholdings of the non-interested Shareholders in DBE who do not participate in the rights issue and also further dilute the Company's public shareholding spread and liquidity;</p> <p>(iii) the issuance of Consideration RCPS enables the Company to complete the Proposed Acquisitions whilst:-</p> <p>(a) maintaining the required public shareholding spread of 25% of its total listed shares, pursuant to the Public Spread Requirement. Further, the Company has obtained the RCPS Undertaking from the Vendors for the purposes of ensuring compliance with the Public Spread Requirement in the event of conversion of the Consideration RCPS;</p> <p>(b) reducing any immediate dilution impact as the Consideration RCPS is expected to be converted into new DBE Shares on a progressive basis throughout its 8-year tenure;</p> <p>(c) minimising financial burden to the Group as compared to servicing of interest and principal repayments for bank borrowings;</p> <p>(d) (i) providing flexibility for DBE to manage its share base via the option to redeem the Consideration RCPS, in whole or in part, throughout its 8-year tenure; or</p> <p>(ii) alternatively, increasing the equity base of DBE upon any conversion of the Consideration RCPS by the holders throughout its 8-year tenure or upon automatic conversion of any outstanding Consideration RCPS into new DBE Shares at its maturity.</p>

**EXECUTIVE SUMMARY (cont'd)**

Reference in IAL / Consideration factors	Our evaluation
	<p>(iv) in addition, the issuance of Consideration Shares, Settlement Shares and Consideration RCPS provides an opportunity to the PAC Group to participate further in the potential future growth of the enlarged DBE Group as its shareholders, having common interests to contribute towards the improvement of the enlarged DBE Group's financial performance. The increased participation of the PAC Group in DBE reaffirms its commitment to the enlarged DBE Group and that it is not the PAC Group's intention to monetise the investments in the Target Companies. This allows the Group to continue leveraging on the experience and network of the PAC Group in managing and growing property development and related businesses of the enlarged Group. For information purposes, each of DDJM, DDTL and DDJC has more than 17 years of experience in property development and related businesses.</p> <p>Based on our evaluation on a holistic basis, we view the issuance of the Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of Consideration RCPS at the Issue Price as justifiable and not detrimental to the interests of the non-interested Shareholders.</p>
<p><b>Section 3.4</b> Salient terms of the SSAs and Consideration RCPS</p>	<p>The salient terms of the SSAs and Consideration RCPS are not detrimental to the interests of the non-interested Shareholders.</p>
<p><b>Section 3.5</b> Effects of the Proposals</p>	<p>The pro forma effects of the Proposals (see Section 10, Part A of the Circular and Section 3.5 of this IAL for further details) are as follows:-</p> <p>(i) on a standalone basis, the Proposed Exemption and Proposed Amendments will not have any effect on the share capital, substantial shareholders' shareholdings, NA, gearing and earnings of DBE;</p> <p>(ii) the issued share capital of DBE may increase from RM61.14 million as at the LPD to up to RM790.10 million as a result of the issuance of Consideration Shares (RM86.71 million), Settlement Shares (RM32.91 million) and Placement Shares (up to RM108.00 million) as well as the conversion of Consideration RCPS into new DBE Shares (up to RM501.34 million);</p> <p>(iii) the shareholdings of the PAC Group in DBE will increase from 35.13% (as at the LPD) to 72.06% (upon completion of the Proposed Acquisitions) and upon full conversion of the Consideration RCPS into new DBE Shares, their shareholdings may further increase to:-</p> <p>(a) up to 81.28% (in the event that the Proposed Private Placement is successfully implemented) while the shareholdings held by the non-interested Shareholders in DBE will decrease to 18.72%; or</p> <p>(b) up to 92.49% (in the event that the Proposed Private Placement cannot be successfully implemented) while the shareholdings held by the non-interested Shareholders in DBE will decrease to 7.51%.</p> <p>In mitigating the risk of non-compliance with the Public Spread Requirement, the Company has obtained the RCPS Undertaking from the Vendors via their letter dated 26 February 2020 to enable the Company to fulfill and comply with the Public Spread Requirement following the conversion of any part or all of the Consideration RCPS into new DBE Shares;</p>



**EXECUTIVE SUMMARY (cont'd)**

Reference in IAL / Consideration factors	Our evaluation
	<p>(iv) the Proposed Acquisitions are expected to contribute positively to the future earnings of the DBE Group arising from the earnings contribution from the Target Companies whilst the Proposed Private Placement is expected to provide the necessary funds to be utilised in the manner as set out in Section 6.6, Part A of the Circular.</p> <p>Based on the illustration set out in Section 10.3, Part A of the Circular, assuming the Proposals had been effected at the beginning of FYE 31 December 2019, the consolidated PAT of DBE for the FYE 31 December 2019 will increase from RM7.69 million (<i>EPS: 6.78 sen, after adjusting for the Completed Private Placement and Proposed Share Consolidation</i>) to RM123.60 million upon completion of the Proposals (<i>EPS: 11.09 sen, upon full conversion of the Consideration RCPS into new DBE Shares</i>);</p> <p>(v) the audited NA of DBE as at 31 December 2019 (<i>after adjusting for the Completed Private Placement</i>) will increase from RM67.17 million to RM540.81 million upon full conversion of the Consideration RCPS into new DBE Shares. However, the audited NA per Share as at 31 December 2019 (<i>after adjusting for the Completed Private Placement and Proposed Share Consolidation</i>) will decrease by RM0.10 from RM0.59 to RM0.49, mainly due to the full conversion of Consideration RCPS into new DBE Shares;</p> <p>(vi) the net gearing ratio of the DBE Group will increase from nil as at the LPD to 0.60 times upon completion of the Proposed Acquisitions (<i>arising mainly from bank borrowings of RM150.00 million to finance the Rantau Purchase Consideration and Yik Wang Tranche 1 Cash Consideration</i>) before decreasing gradually to 0.15 times with the partial repayment of bank borrowings using proceeds from the Proposed Private Placement of up to RM18.00 million and the enlarged NA base of the DBE Group resulting from the issuance of Placement Shares and conversion of Consideration RCPS into new DBE Shares; and</p> <p>(vii) save for the adjustments to the exercise price and number of outstanding Warrants B due to the Proposed Share Consolidation, the Proposals will not give rise to any adjustments to the exercise price and/or number of outstanding Warrants B.</p> <p>For illustration purposes, assuming all of the outstanding 580,644,468 Warrants B are not exercised prior to the Entitlement Date, the number of Warrants B will be adjusted downwards to 23,225,778 Consolidated Warrants in DBE and the existing exercise price of RM0.05 for each Warrant B will be adjusted to RM1.25 per Consolidated Warrant (<i>see Section 5.3, Part A of the Circular for the computation</i>).</p> <p>Based on our evaluation above, the overall effects of the Proposed Acquisitions and Proposed Exemption are not detrimental to the interests of the non-interested Shareholders.</p>
<p><b>Section 3.6</b> Prospects of the enlarged DBE Group</p>	<p>In view of the longer term outlook of the Target Companies which is expected to be supported and driven by (i) the Federal and State Governments' commitment and initiatives in supporting the property and construction market (<i>particularly, in the affordable housing segment which the Target Companies are generally focused towards</i>), (ii) the overview and outlook of the property and construction market in Perak, being one of the most populous states in Malaysia, (iii) the strategic location of the Blossom Group's township developments and land banks and (iv) the Blossom Group's affordable township propositions, we view the prospects of the enlarged DBE Group to be favourable.</p>

## EXECUTIVE SUMMARY (cont'd)

Reference in IAL / Consideration factors	Our evaluation
<p><b>Section 3.7</b> Risk factors in relation to the Proposed Acquisitions</p>	<p>The risk factors in relation to the Proposed Acquisitions and their mitigating factors are set out in Section 8, Part A of the Circular.</p> <p>We wish to highlight some of the risk factors in relation to the Proposed Acquisitions to the non-interested Shareholders, being (i) non-realisation of anticipated benefits, (ii) new interest and principal servicing obligations, (iii) impact from the coronavirus disease 2019 (COVID-19) and (iv) non-compliance with the required public shareholding spread pursuant to Paragraph 8.02(1) of the MMLR.</p> <p>Nonetheless, in view that the DBE Group has in 2018 diversified its business to include property development and construction, the business risk profile of DBE is not expected to change significantly upon completion of the Proposed Acquisitions.</p>
<p><b>Section 3.8</b> Implications arising from the voting outcome of the Proposed Exemption</p>	<p>If you <b>vote in favour</b> of the Proposed Exemption, the SC would be able to consider the application by the PAC Group for the Proposed Exemption.</p> <p>Should you <b>vote against</b> the Proposed Exemption, the Proposals will not proceed in view of the inter-conditionality of the Proposals. Accordingly, DBE will not be able to realise the potential benefits arising from the Proposals as detailed in Section 8 of this IAL.</p>

### 3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisitions and Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisitions and Proposed Exemption based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the Shareholders in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolutions to give effect to the Proposed Acquisitions and Proposed Exemption at the forthcoming EGM of the Company.

The Proposed Exemption (*if granted*) will allow DBE to undertake the Proposals (*if approved by the non-interested Shareholders*). Accordingly, the potential advantages and disadvantages of the Proposals are as follows:-

Potential advantages
<p>(i) The Proposed Acquisitions represent an opportunity for the Group to further expand and entrench its position in the property development and related businesses at the Total Considerations (<i>which we view as justifiable</i>), allowing the DBE Group to:-</p> <p>(a) scale up its property development business via participation in the Blossom Group's township developments, on-going projects and land banks;</p> <p>(b) have better management and control of development projects of the Blossom Group via acquisition of the in-house project management arm of the Blossom Group (<i>i.e. Rantau</i>); and</p> <p>(c) support and complement the development projects of the Blossom Group with Yik Wang's involvement in procuring sufficient supply of building materials at reasonable prices.</p>

**Potential advantages**

In addition, the Proposed Acquisitions will minimise administrative efforts, time and costs which would otherwise be incurred to comply with the requirements under the MMLR in respect of recurrent related party transactions between companies within the enlarged DBE Group and eliminate any potential conflict of interests and competition within the same market segment between the Target Companies and the DBE Group in the future.

- (ii) A major portion (81%) of the Total Considerations in respect of the Proposed Acquisitions will be satisfied via the issuance of Consideration Shares, Settlement Shares and Consideration RCPS as DBE would not be able to rely solely on its cash reserves and/or bank borrowings in view of the huge quantum of Total Considerations and the funding requirements for working capital as well as any future investment opportunities of the enlarged DBE Group. Meanwhile, an equity fund raising exercise such as rights issue may place a financial burden to the existing Shareholders and may not proceed if the minimum subscription level for the rights shares is not achieved. Additionally, a rights issue which typically requires major shareholders' undertaking to subscribe for the shares may also further dilute the Company's public shareholding spread and liquidity, in the event that there is low subscription rate for the rights issue.

Further, the Issue Price:-

- (a) is **higher than** the daily VWAPs\* of the DBE Shares for approximately 89% of the total market days (*with trading volume*) for the past 1 year prior to the LTD and up to the LPD;
- (b) represents a **premium** of RM0.0475 (6.33%) over the last traded market price\* of the DBE Shares on the LTD and a **premium** of between RM0.0075 (0.95%) and RM0.0250 (3.24%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs\* of the DBE Shares up to the LTD; and
- (c) represents a **premium** of RM0.0475 (6.33%) over the last traded market price\* of the DBE Shares on the LPD and a **premium** of RM0.1250 (18.59%) over the 5-day VWAP\* of the DBE Shares up to the LPD.

\* *Adjusted for the Proposed Share Consolidation*

The issuance of the Consideration Shares, Settlement Shares and Consideration RCPS at a premium to prevailing market prices of DBE Shares will entail issuance of a lower number of DBE Shares and hence, less dilution impact to the shareholdings in DBE.

Further, DBE has the flexibility to manage its share base via the option to redeem the Consideration RCPS, in whole or in part, throughout its 8-year tenure. In addition, the cumulative preferential dividend of the Consideration RCPS (*fixed rate of 4% per annum, compounded annually*) is lower than the enlarged DBE Group's borrowing rate (*see Section 6.6, Part A of the Circular on the effective interest rates*).

- (iii) The increased participation of the PAC Group in DBE reaffirms its commitment to the enlarged DBE Group and that it is not the PAC Group's intention to monetise the investments in the Target Companies. This allows the Group to continue leveraging on the experience and network of the PAC Group in managing and growing property development and related businesses of the enlarged Group.
- (iv) The Proposed Acquisitions are expected to contribute positively to the future earnings of the DBE Group arising from the earnings contribution from the Target Companies whilst the Proposed Private Placement is expected to provide the necessary funds for partial repayment of bank borrowings, working capital for on-going development projects of the Blossom Group and future investment opportunities (*should such opportunity arise*) as well as disbursement of estimated expenses in relation to the Proposals.

Based on the illustration set out in Section 10.3, Part A of the Circular, assuming the Proposals had been effected at the beginning of FYE 31 December 2019, the consolidated PAT of DBE for the FYE 31 December 2019 will increase from RM7.69 million (*EPS: 6.78 sen, after adjusting for the Completed Private Placement and Proposed Share Consolidation*) to RM123.60 million upon completion of the Proposals (*EPS: 11.09 sen, upon full conversion of the Consideration RCPS into new DBE Shares*).

- (v) The Proposals will increase the audited NA of DBE as at 31 December 2019 (*after adjusting for the Completed Private Placement*) from RM67.17 million to RM540.81 million upon full conversion of the Consideration RCPS into new DBE Shares. The larger NA base will strengthen the DBE Group's financial position and market positioning in the property industry.

**Potential disadvantages**

- (i) The Proposed Exemption will allow the shareholdings of:-
- (a) Lagenda in DBE to increase from 0% as at the LPD to 56.93%; and
  - (b) the PAC Group in DBE to increase from 35.13% as at the LPD to 72.06%,
- upon completion of the Proposed Acquisitions without being required to undertake the MGO. On the other hand, the shareholdings held by the non-interested Shareholders in DBE will be diluted from 64.87% as at the LPD to 27.94% after the Proposed Acquisitions.
- With a shareholding of more than 50% in DBE upon completion of the Proposed Acquisitions, any further increase in the shareholding in DBE (*including through subsequent purchases of DBE Shares in the open market and conversion of Consideration RCPS into new DBE Shares*) by:-
- (a) Lagenda (*provided its individual shareholding in DBE remains more than 50% at all times*); and
  - (b) the PAC Group (*provided the collective shareholdings in DBE remain more than 50% at all times*),
- would not trigger an obligation for the PAC Group to undertake a MGO.
- Further, with the said shareholding in DBE, the PAC Group will have statutory control over DBE and unless the PAC Group is required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, the PAC Group is able to (*through casting of their votes which represent 72.06% of the total voting shares in DBE after the Proposed Acquisitions*):-
- (a) vote through or vote down any ordinary resolutions (*as such resolutions only require approval from more than 50% of the total votes cast*); and
  - (b) vote down any special resolutions (*as such resolutions require approval from at least 75% of the total votes cast*).
- (ii) In addition, upon full conversion of the Consideration RCPS into new DBE Shares, the shareholdings of the PAC Group in DBE may further increase to:-
- (a) up to 81.28% (*in the event that the Proposed Private Placement is successfully implemented*) while the shareholdings held by the non-interested Shareholders in DBE will decrease to 18.72%; or
  - (b) up to 92.49% (*in the event that the Proposed Private Placement cannot be successfully implemented*) while the shareholdings held by the non-interested Shareholders in DBE will decrease to 7.51%.
- The non-interested Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer as the Consideration RCPS to be issued under the Proposed Acquisitions will need to be included in any such offer.
- (iii) The Proposals will result in a decrease of RM0.10 in the audited NA per Share as at 31 December 2019 (*after adjusting for the Completed Private Placement and Proposed Share Consolidation*) from RM0.59 to RM0.49, mainly due to the full conversion of Consideration RCPS into new DBE Shares.

Premised on the above and our evaluation of the Proposed Acquisitions and Proposed Exemption on a holistic basis, we are of the view that, on the basis of the information available to us, the Proposed Acquisitions and Proposed Exemption are **fair and reasonable** and are **not detrimental** to the interests of the non-interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the Proposed Acquisitions and Proposed Exemption to be tabled at the forthcoming EGM of the Company.



# Mercury Securities Sdn. Bhd. (113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## Headquarters:

Ground, 1st, 2nd and 3rd Floor  
Wisma UMNO  
Lorong Bagan Luar Dua  
12000 Butterworth  
Seberang Perai

To: **The Non-interested Shareholders**

22 June 2020

Dear Sir / Madam,

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

## **INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITIONS AND PROPOSED EXEMPTION**

*This IAL is prepared for inclusion in the Circular to the Shareholders. 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 Proposed Acquisitions and Proposed Exemption.*

### **1. INTRODUCTION**

On 26 February 2020, the Company had entered into the following agreements:-

- (i) the Blossom SSA for the acquisition of the Blossom Sale Shares for the Blossom Purchase Consideration of up to RM642,546,412;
- (ii) the Rantau SSA for the acquisition of the Rantau Sale Shares for the Rantau Purchase Consideration of RM148,269,909; and
- (iii) the Yik Wang SSA for the acquisition of the Yik Wang Sale Shares for the Yik Wang Purchase Consideration of up to RM32,500,000.

In view of the interests of the Interested Directors and the Interested Major Shareholders (*see Section 15, Part A of the Circular for their interests and course of actions in relation to deliberations and voting at the relevant Board meetings and at the EGM to be convened*), the Proposed Acquisitions are deemed as related party transactions pursuant to Paragraph 10.08 of the MMLR.

Upon completion of the Proposed Acquisitions, the shareholdings of:-

- (i) Lagenda (*being the nominee of the Vendors to receive the Consideration Shares, the Settlement Shares and the Consideration RCPS*) in DBE will increase from 0% as at the LPD to 56.93%; and
- (ii) Lagenda and PACs (“**PAC Group**”) in DBE will increase from 35.13% as at the LPD to 72.06%.

**Butterworth** - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai. Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my  
**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

Pursuant to Paragraph 4.01 of the Rules, Lagenda (*individually*) and the PAC Group (*collectively*) will be obliged to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon completion of the Proposed Acquisitions. As the PAC Group has no intention to undertake the MGO, the PAC Group intends to submit an application to the SC to seek for an exemption from having to undertake the MGO pursuant to Paragraph 4.08(1)(a) of the Rules after obtaining the approval of the non-interested Shareholders for the Proposed Exemption at an EGM to be convened.

In addition to the Proposed Acquisitions and Proposed Exemption, the Company proposed to undertake the following:-

- (i) Proposed Share Consolidation;
- (ii) Proposed Amendments; and
- (iii) Proposed Private Placement.

The Proposed Acquisitions, Proposed Amendments, Proposed Exemption, Proposed Share Consolidation and Proposed Private Placement are inter-conditional upon one another. Further details of the Proposals are set out in the following sections in Part A of the Circular:-

<b><u>Proposals</u></b>	<b><u>Section in Part A of the Circular</u></b>
(1) Proposed Acquisitions comprising:-	2
(a) Proposed Blossom Acquisition	2.1
(b) Proposed Rantau Acquisition	2.2
(c) Proposed Yik Wang Acquisition	2.3
(2) Proposed Exemption	3
(3) Proposed Amendments	4
(4) Proposed Share Consolidation	5
(5) Proposed Private Placement	6

On 26 February 2020, the Board had formally appointed Mercury Securities as the Independent Adviser to advise the non-interested Directors and non-interested Shareholders in respect of the Proposed Acquisitions (*pursuant to Paragraph 10.08(2) of the MMLR*) and the Proposed Exemption (*pursuant to Paragraph 3 of the Rules*). Mercury Securities subsequently, vide its letter dated 2 March 2020, declared its independence from any conflict of interest or potential conflict of interest to the SC in relation to its role as the Independent Adviser for the Proposed Exemption, which was subsequently noted by the SC on 6 March 2020.

Pursuant to Paragraph 4.08(3)(g) of the Rules, the SC has on 18 June 2020 notified that it has no further comments to the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

The purpose of this IAL is to provide the non-interested Shareholders with an independent evaluation on the Proposed Acquisitions and Proposed Exemption on a holistic basis together with our recommendation on whether the non-interested Shareholders should vote in favour of the Proposed Acquisitions and Proposed Exemption.

Nonetheless, the non-interested Shareholders should rely on their own evaluation of the merits of the Proposed Acquisitions and Proposed Exemption 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 Proposed Acquisitions and Proposed Exemption and should not be used or relied upon by any other party for any other purposes whatsoever.

**You are advised to read and understand both this IAL and the letter to the Shareholders in relation to the Proposals 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 resolutions to give effect to the Proposed Acquisitions and Proposed Exemption 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.**

**You should take note that in the event of any further restriction to movement due to the implementation of any movement control order by the government of Malaysia or any other emergency, electronic documentation and service may be the only mode that can be employed. As such, it is important for you to register your e-mail address with Bursa Depository via:-**

- (i) [https://www.bursamalaysia.com/trade/our\\_products\\_services/central\\_depository\\_system/request\\_for\\_estatement;or](https://www.bursamalaysia.com/trade/our_products_services/central_depository_system/request_for_estatement;or)**
- (ii) Bursa Anywhere mobile application which can be downloaded from Google Play Store or Apple App Store.**

## **2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITIONS AND PROPOSED EXEMPTION**

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals. 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 MMLR, the Best Practice Guide in relation to Independent Advice Letters (“IAL Guide”) issued by Bursa Securities and Paragraph 3 of the Rules.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the Proposed Acquisitions and Proposed Exemption as to whether they are fair and reasonable and whether they are detrimental to the interests of the non-interested Shareholders together with our recommendation on whether the non-interested Shareholders should vote in favour of the Proposed Acquisitions and Proposed Exemption, based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in Part A of the Circular and the accompanying appendices;**
- (ii) the SSAs;**
- (iii) the audited financial statements of the Blossom Group, Rantau and Yik Wang for the FYE 31 December 2019;**
- (iv) the Valuation Certificate dated 29 May 2020 and valuation reports dated 24 February 2020 prepared by Knight Frank in regards to the valuation of Blossom Group Properties;**
- (v) other relevant information, documents, confirmations and representations furnished to us by the board of directors, management and/or representatives (*where applicable*) of the DBE Group, the Target Companies and the PAC Group; and**
- (vi) other relevant publicly available information, including but not limited to the annual reports and audited consolidated financial statements of DBE.**

We have relied on the directors, management and/or representatives (*where applicable*) of the DBE Group, the Target Companies and the PAC Group to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Proposed Acquisitions and Proposed Exemption are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and undertaking reasonableness check and corroborating such information with independent sources, where possible. We are satisfied that the information provided to us or which are available to us is sufficient and we have no reason to believe that the aforementioned information is unreasonable, unreliable, inaccurate, incomplete and/or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

We have evaluated the Proposed Acquisitions and Proposed Exemption on a holistic basis and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the Proposed Acquisitions and Proposed Exemption and would be of general concern to the non-interested Shareholders.

Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested Shareholders as a whole and not for any specific group of non-interested Shareholders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual non-interested Shareholder or any specific group of non-interested Shareholders. We recommend that any individual non-interested Shareholder who is in doubt as to the action to be taken or requires advice in relation to the Proposed Acquisitions and Proposed Exemption in the context of his individual investment objectives, financial situation, risk profile or particular needs to consult his 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 SSAs are able to fulfill their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time.

We shall immediately disclose to the SC in writing and notify the non-interested Shareholders by way of press notice and announcement on Bursa Securities if, after despatching this IAL, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAL:-

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAL to the non-interested Shareholders in accordance with Paragraph 11.07(2) of the Rules.

The following are disclosures made pursuant to the IAL Guide:-

- (i) We confirm that there are no 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 Proposed Acquisitions and Proposed Exemption;



- (ii) Save for our current appointment as the Independent Adviser for the Proposed Acquisitions and Proposed Exemption and our appointment as the independent adviser for the proposals as disclosed below, we do not have any other professional relationship with DBE in the past 2 years preceding the date of this IAL-
- (a) disposal of 51% equity interest in poultry-related companies involving the interests of related parties (*which was deemed completed as announced on 19 December 2019*). Further, a put option was granted to DBE to sell all or part of the remaining 49% equity interest ("**Put Option**") and a call option was granted to the purchaser to acquire all or part of the remaining 49% equity interest ("**Call Option**") in accordance with the terms and conditions and for such period of time as set out in the share sale agreement (*see circular to the Shareholders dated 6 November 2019 for further information on the Put Option and Call Option*);
  - (b) joint development of a mixed development project known as "Pengkalan Prisma" involving the interests of related parties (*which was deemed completed as announced on 12 September 2019*);
  - (c) participation in the development and assumption of the development rights to an on-going development project known as "Pangsapuri Seri Iskandar" involving the interests of related parties (*which was deemed completed as announced on 28 May 2019*); and
  - (d) conditional MGO of DBE by Doh Properties (*which closed on 15 October 2018*); and
- (iii) We are a holder of a Capital Markets Services Licence issued by the SC as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the CMSA. 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.

As a testament to our experience and credentials as independent adviser, we have issued more than 50 independent advice circulars / letters for transactions relating to acquisitions, disposals and take-over offers since 2014.

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### 3. EVALUATION OF THE PROPOSED ACQUISITIONS AND PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisitions and Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules.

We have considered the following pertinent factors in our evaluation of the Proposed Acquisitions and Proposed Exemption:-

Consideration factors	Section
(i) Rationale for the Proposals	3.1
(ii) Basis and justification of arriving at the Blossom Purchase Consideration, Rantau Purchase Consideration and Yik Wang Purchase Consideration	3.2
(iii) Basis and justification in arriving at the issue price of the Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of Consideration RCPS	3.3
(iv) Salient terms of the SSAs and Consideration RCPS	3.4
(v) Effects of the Proposals	3.5
(vi) Prospects of the enlarged DBE Group	3.6
(vii) Risk factors in relation to the Proposed Acquisitions	3.7
(viii) Implications arising from the voting outcome of the Proposed Exemption	3.8

#### 3.1 Rationale for the Proposals

We have considered the rationale for the Proposals set out in Section 7, Part A of the Circular and our commentaries are summarised below:-

##### Our commentaries on the rationale for the Proposed Acquisitions

##### Diversification of business to include property development and construction (2018) and exit from poultry business (2019)

DBE was listed on the Second Board of Bursa Securities on 11 February 2004 and is currently listed on the Main Market of Bursa Securities. Prior to the Group's diversification of its business to include property development and construction in 2018, the DBE Group was principally involved in the poultry business in Malaysia.

For the past 10 financial years, the Group has recorded losses from its poultry business (except for a PAT of RM0.25 million for the FYE 31 December 2016) whilst the property development business has been contributing positively to the Group's financial performance since the FYE 31 December 2018, as set out below:-

In RM'million

	FPE 31 March 2020	FYE 31 December									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Revenue</b>											
Poultry*	-	102.6	95.5	111.7	113.0	119.5	157.1	153.0	139.1	134.8	137.9
Property development	20.2	71.8	12.7	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20.2</b>	<b>174.4</b>	<b>108.2</b>	<b>111.7</b>	<b>113.0</b>	<b>119.5</b>	<b>157.1</b>	<b>153.0</b>	<b>139.1</b>	<b>134.8</b>	<b>137.9</b>
<b>(LAT)/PAT</b>											
Poultry*	-	(2.1)	(29.0)	(20.3)	0.2	(10.8)	(10.2)	(0.5)	(15.5)	(5.8)	(3.7)
Property development	4.4	9.8	1.2	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4.4</b>	<b>7.7</b>	<b>(27.8)</b>	<b>(20.3)</b>	<b>0.2</b>	<b>(10.8)</b>	<b>(10.2)</b>	<b>(0.5)</b>	<b>(15.5)</b>	<b>(5.8)</b>	<b>(3.7)</b>

\* On 31 December 2019, the Group disposed 51% equity interest in poultry-related companies which represented its entire poultry operating segment.

(Source: Annual reports of DBE and its unaudited financial statements for the 3-month financial period ended ("FPE") 31 March 2020)

Given the unfavourable historical financial performance of the poultry business and in line with the Group's strategic direction to discontinue operations which are loss-making, the Group had on 31 December 2019 disposed of 51% equity interest in poultry-related companies for RM10.20 million to reduce exposure from its loss-making poultry business. Further, through the full exercise of Put Option by DBE or the Call Option by the purchaser (*if exercised at a later stage*), DBE will fully exit poultry business by disposing of its remaining 49% equity interest in the said companies at the fixed exercise price of RM9.80 million, regardless of future financial performance of the poultry business.

Since the abovementioned disposal, the Group has been focusing on its existing development projects in Perak as follows:-

Development project	Type of development	Remaining GDV and GDC of the project as at the LPD (RM'million)	Percentage of sales as at the LPD (%)	Stage of completion as at the LPD (%)
Taman Bemban Indah	A mixed development comprising single-storey terraced house, single-storey semi-detached house and single-storey detached house	GDV: 49.50 GDC: 25.40	28	44
Pangsapuri Seri Iskandar	A development project comprising 2 blocks of 8-storey building with a total of 780 units of apartments with infrastructures	GDV: - GDC: -	100	100
Taman Desa Harmoni	A mixed development project comprising single-storey semi-detached house, single-storey terraced house and single-storey shop house	GDV: - GDC: -	100	100
Pengkalan Prisma	A mixed development comprising single-storey terraced house, double-storey terraced house and double-storey shop house	GDV: 52.00 GDC: 36.70	52	39

(Source: Management of DBE)

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Further expansion of the Group's property development and related businesses

The Group's future plans to further expand its property development and construction operations include acquiring and/or entering into agreements or joint ventures for viable land banks and/or property development projects and construction projects from third parties and/or from the PACs.

In line with DBE's long-term strategic plan, the Proposed Acquisitions represent an opportunity for the Group to further expand and entrench its position in the property development and related businesses in view of the following:-

(i) Proposed Blossom Acquisition

The Blossom Group is principally engaged in the business of property development. The Proposed Blossom Acquisition will enable the DBE Group to significantly scale up its property development business via its participation in the Blossom Group's township developments, on-going projects and land banks (see Section 1.7, Appendix I of the Circular for information on Blossom Group Properties) as follows:-

(a) BBSAP

BBSAP, an affordable township development of approximately 1,012 acres / 4,095,419 sqm located in Sitiawan, Perak, was first launched in 2015 and is expected to be developed over a period of approximately 8 years.

Type	Description	Total GDV* (RM'million)	Percentage of sales as at 31.12.2019* (%)	Stage of completion as at 31.12.2019* (%)
Completed units / Inventories	<ul style="list-style-type: none"> <li>Phase 1A: 6 units of completed single-storey terraced house</li> </ul>	N/A	0	100
On-going developments	<p><u>Development content</u></p> <ul style="list-style-type: none"> <li>Phase 1C: 1,476 units of single-storey cluster house and 16 units of single-storey detached house (completed in February 2020)</li> <li>Phase 1D: 1,555 units of single-storey terraced house, 28 units of double-storey terraced shop office and 1 vacant commercial lot (completed in February 2020)</li> <li>Phase 2A and 2C: 219 units of double-storey terraced shop office, 996 units of single-storey cluster semi-detached house, 6 units of single-storey semi-detached house, 15 units of single-storey detached house, 1 plot of commercial land and 1 plot of petrol station land</li> <li>Phase 2B: 829 units of single-storey terraced house</li> <li>Phase 3B: 1,241 units of single-storey terraced house and 2 units of single-storey semi-detached house</li> </ul>	<p>282.89</p> <p>279.30</p> <p>295.05</p> <p>158.09</p> <p>234.61</p>	<p>99</p> <p>93</p> <p>71</p> <p>84</p> <p>50</p>	<p>97</p> <p>96</p> <p>24</p> <p>73</p> <p>3</p>

Type	Description	Total GDV* (RM/million)	Percentage of sales as at 31.12.2019* (%)	Stage of completion as at 31.12.2019* (%)
Land with development approval	<b>Development content</b> <ul style="list-style-type: none"> <li>Phase 2D: 1,160 units of single-storey cluster semi-detached house and 8 units of single-storey detached house (launched in February 2020)</li> <li>Phase 3A: 1,074 units of single-storey terraced house, 53 units of single-storey shop office and 2 vacant commercial plot (expected launching in June 2020)</li> </ul>	264.92	0	0
Vacant land earmarked for future development	<ul style="list-style-type: none"> <li>4 parcels of vacant residential development land</li> <li>7 parcels of vacant agriculture land</li> </ul> <i>(Total land area of approximately 459 acres / 1,857,507 sqm)</i>	N/A N/A	0 0	0 0

\* As per valuation report

(b) LTI

LTI, an affordable township development located in Teluk Intan, Perak, was first launched in 2018 and is expected to be developed over a period of approximately 7 years.

Type	Description	Total GDV* (RM/million)	Percentage of sales as at 31.12.2019* (%)	Stage of completion as at 31.12.2019* (%)
On-going developments	<b>Development content</b> <ul style="list-style-type: none"> <li>Phase 1 On-going: 1,487 units of single-storey terraced house, 356 units of single-storey cluster house and 4 units of Tenaga Nasional Berhad (TNB) substation Future launches: 137 units of double-storey terraced shop office, 2 units of single-storey semi-detached house and 5 units of single-storey detached house together with additional 4 agricultural plots, 1 unit of stall and 1 unit of Main Distribution Substation (PPU)</li> </ul>	358.92	53	8
Land with development approval	<b>Development content</b> <ul style="list-style-type: none"> <li>Phase 2: 2,667 units of single-storey terraced house (launched in March 2020)</li> <li>Phase 3A: 1,080 units of cluster house and 18 units of detached house (expected launching in August 2020)</li> <li>Phase 3B: 775 units of terraced house together with additional 28 parcels of agricultural plots (expected launching in August 2020)</li> </ul>	445.23 217.50 137.80	0 0 0	0 0 0

Type	Description	Total GDV* (RM'million)	Percentage of sales as at 31.12.2019* (%)	Stage of completion as at 31.12.2019* (%)
Vacant land earmarked for future development	<ul style="list-style-type: none"> <li>65 parcels of agricultural land currently planted with oil palm trees (Total land area of approximately 673 acres / 2,723,534 sqm)</li> </ul>	N/A	0	0

\* As per valuation report

(c) Taman Mulia

Taman Mulia, a 56-acre (226,624 sqm) township development located in Sitiawan, Perak, was first launched in 2014 and is expected to be developed over a period of approximately 10 years.

Type	Description	Total GDV* (RM'million)	Percentage of sales as at 31.12.2019* (%)	Stage of completion as at 31.12.2019* (%)
Completed units / Inventories	<ul style="list-style-type: none"> <li>Phase 1: 10 units of completed townhouse</li> <li>Phase 2: 4 units of completed single-storey terraced house and 16 units of double-storey terraced house</li> </ul>	N/A N/A	0 0	100 100
Land with development approval	<p>Development content</p> <ul style="list-style-type: none"> <li>Phase 3: 144 units of single-storey terraced house (expected launching in June 2021)</li> <li>Phase 4a: 96 units of double-storey semi-detached townhouse and 2 units of single-storey detached house (launched in January 2020)</li> <li>Phase 4b: 86 units of single-storey semi-detached townhouse and 6 units of single-storey detached house (expected launching in June 2021)</li> <li>Phase 5: 2 adjoining parcels of development land (Total land area of approximately 13 acres / 52,609 sqm)</li> </ul>	49.31 32.03 43.31 N/A	0 0 0 0	0 0 0 0

\* As per valuation report

(d) Setia Residence

Setia Residence, a 54-acre (218,530 sqm) township development located within the town area of Sitiawan, Perak, was first launched in 2011.

Type	Description	Total GDV* (RM'million)	Percentage of sales as at 31.12.2019* (%)	Stage of completion as at 31.12.2019* (%)
Completed units / Inventories	<ul style="list-style-type: none"> <li>Phase 3: 4 units of completed double-storey terraced house and 2 units of completed double-storey detached house</li> <li>Phase 4: 20 units of completed double-storey terraced house</li> <li>Phase 5: 4 units of completed double-storey semi-detached house, 3 units of three-storey shop office and 1 unit of double-storey shop office</li> </ul>	N/A N/A N/A	0 0 0	100 100 100
Land with development approval	<p><u>Development content</u></p> <ul style="list-style-type: none"> <li>Phase 6a: 51 units of terraced house (expected launch date has yet to be determined)</li> <li>Phase 6b: 24 units of double-storey cluster house and a retention pond (expected launch date has yet to be determined)</li> <li>Plot 438: 1 unit of double-storey detached house</li> </ul>	22.38 17.67 N/A	0 0 0	0 0 0

\* As per valuation report

(e) Taman Tronoh Akasia

Taman Tronoh Akasia is a 3-acre (12,249 sqm) mixed development located at Seri Iskandar, Perak comprising 38 residential and commercial units.

Type	Description	Total GDV* (RM'million)	Percentage of sales as at 31.12.2019* (%)	Stage of completion as at 31.12.2019* (%)
On-going developments	<p><u>Development content</u></p> <ul style="list-style-type: none"> <li>Phase 3: 15 units of double-storey and 8 units of three-storey terraced shop office (expected launch date has yet to be determined)</li> <li>Phase 4: 15 units of single-storey detached house (expected launch date has yet to be determined)</li> </ul>	9.59 6.63	0 0	0 0

\* As per valuation report

(f) Other properties

In addition, the Blossom Group also owns other properties including:-

- (1) various parcels of agriculture land, measuring in aggregate approximately 47 acres / 190,202 sqm, located within Perak. No development orders have been obtained for these lands but such lands have been earmarked for future development; and
- (2) 3 units of completed double-storey intermediate terraced shop office located in Taman Desa 2, Sitiawan, Perak.

Please refer to Section 3.2(A) of this IAL for further details on other properties of the Blossom Group.

*(Source: Valuation reports for the Blossom Group Properties)*

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(ii) Proposed Rantau Acquisition

Rantau is principally engaged in project management for building construction and is the in-house project management arm of the Blossom Group. As at 31 December 2019, Rantau has an outstanding orderbook of approximately RM1.17 billion which mainly comprises construction contracts awarded by the Blossom Group for its development projects (*see Section 2.7, Appendix I of the Circular for the details of the on-going construction projects of Rantau*).

By undertaking the Proposed Rantau Acquisition, the DBE Group will be in control of both property development and building construction functions for the development projects of the Blossom Group. This shall maximise the profit margins to be derived from the development projects as well as allow for better risk management and operational control, including amongst others on costs and timing of completion of its development projects.

In view of the above, the Proposed Rantau Acquisition is synergistic to the Proposed Blossom Acquisition.

(iii) Proposed Yik Wang Acquisition

Yik Wang is principally engaged in trading of building materials and hardware (*such as steel bars, wire mesh, cement, bricks, tiles and sanitary wares*) in Malaysia.

In addition to providing an additional source of income (*i.e. the building material supply business*) to the DBE Group, the Proposed Yik Wang Acquisition is also synergistic to the property development operations of the enlarged DBE Group as the building materials may also be used for its development projects.

Over the next few years, the Blossom Group will be actively launching various phases of its BBSAP and LTI townships. In view thereof, Yik Wang may play an important role in procuring sufficient supply of building materials at reasonable prices to support and complement the development projects of the Blossom Group.

By virtue of the business arrangements between the Target Companies, they conduct various revenue transactions with each other in their day-to-day operations. As the Target Companies will become wholly-owned subsidiaries of DBE upon completion of the Proposed Acquisitions, this will minimise administrative efforts, time and costs which would otherwise be incurred to comply with the requirements under the MMLR in respect of recurrent related party transactions between companies within the enlarged DBE Group to ensure that they are entered into at arm's length, on normal commercial terms and on terms not more favourable to those with third parties.

Further, the Proposed Acquisitions will also eliminate any potential conflict of interests and competition within the same market segment between the Target Companies and the DBE Group in the future such as securing land banks and undertaking property development projects within the same vicinity and/or bidding for the same construction projects.

Overall, the Proposed Acquisitions are expected to contribute positively to the financial performance of the DBE Group in view of the Target Companies' historical financial performance (*see Sections 1.6, 2.6 and 3.6 in Appendix I of the Circular for further details*) as well as the prospects of the Target Companies as set out in Section 9.4, Part A of the Circular. An illustration of the pro forma effects of the Proposed Acquisitions on the earnings and EPS of DBE is set out in Section 10.3, Part A of the Circular.

### **Our commentaries on the rationale for the Proposed Exemption**

Pursuant to the issuance of Consideration Shares and Settlement Shares to Lagenda upon completion of the Proposed Acquisitions, the shareholdings of:-

- (i) Lagenda in DBE will increase from 0% as at the LPD to 56.93%; and
- (ii) the PAC Group in DBE will increase from 35.13% as at the LPD to 72.06%.

As a consequence, pursuant to Paragraph 4.01 of the Rules, Lagenda (*individually*) and the PAC Group (*collectively*) will be obliged to undertake a MGO for the remaining DBE Shares and Warrants B not already held by them upon completion of the Proposed Acquisitions. As the PAC Group has no intention to undertake the MGO, the PAC Group intends to submit an application to the SC to seek for an exemption from having to undertake the MGO pursuant to Paragraph 4.08(1)(a) of the Rules after obtaining the approval of the non-interested Shareholders for the Proposed Exemption at an EGM to be convened.

The Proposed Exemption, if approved by the SC, shall relieve the PAC Group from the obligation to undertake the said MGO.

### **Our commentaries on the rationale for the Proposed Amendments**

The Proposed Amendments are necessary to facilitate the creation and issuance of the Consideration RCPS under the Proposed Blossom Acquisition and to incorporate the requisite new provisions to set out the rights relating to the Consideration RCPS.

Further details of the Proposed Amendments are set out in Appendix VIII of the Circular.

### **Our commentaries on the rationale for the Proposed Share Consolidation**

The Proposed Share Consolidation entails the consolidation of every 25 existing DBE Shares into 1 Consolidated Share. Based on the illustration set out in Section 5.2, Part A of the Circular, upon completion of the Proposed Share Consolidation:-

- (i) the total number of 2,837,229,306 DBE Shares as at the LPD will be consolidated into 113,489,172 Consolidated Shares; and
- (ii) the last transacted market price of DBE Shares as at the LPD of RM0.030 will be theoretically adjusted to RM0.750 as the reference price of the Consolidated Shares.

The higher trading price of the Company's shares following the Proposed Share Consolidation may increase the Company's profile amongst investors and lead to more attention by research houses and fund managers. This may in turn increase market interest and activity in the Consolidated Shares, and render the Consolidated Shares to be more attractive to investors.

In addition, the Proposed Share Consolidation will rationalise DBE's share capital by reducing the number of shares in issue and the resultant higher theoretical adjusted reference price, may potentially reduce the degree of volatility in the market price of the Company's shares.

### **Our commentaries on the rationale for the Proposed Private Placement**

The Proposed Private Placement entails the issuance of up to 135,000,000 Placement Shares at an issue price to be determined and to investor(s) to be identified at a later date. The issue price will be determined after taking into consideration the prevailing market conditions and the 5-day VWAP of the Consolidated Shares (*where applicable*) immediately preceding the price-fixing date to be determined by the Board.

Taking into consideration the rationale for the Proposed Private Placement outlined in Section 7.5, Part A of the Circular, the Proposed Private Placement represents the most appropriate manner to raise funds in an expeditious and cost-effective way (*as compared to a rights issue which requires more time and higher costs*), without relying on equity funding from the existing Shareholders. In view of the quantum of gross proceeds to be raised (*up to approximately RM108.00 million*) vis-à-vis the market capitalisation of DBE as at the LPD (*approximately RM85.12 million*), a rights issue may place financial burden to the existing Shareholders.

In addition, the level of discount accorded for a private placement is typically not as steep as a rights issue which will result in lesser number of shares to be issued in order to raise the same amount of gross proceeds. Additionally, a rights issue which typically requires major shareholders' undertaking to subscribe for the shares may also further dilute the Company's public shareholding spread and liquidity, in the event that there is low subscription rate for the rights issue.

As set out in Section 6.6, Part A of the Circular, based on an indicative issue price of RM0.80 per Placement Share (*which represents a 18.96% premium to the 5-day VWAP of DBE Shares up to and including the LPD of RM0.6725 (after adjusting for the Proposed Share Consolidation)*), the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM108.00 million, which is proposed to be used in the following manner:-

<b>Proposed utilisation of proceeds</b>	<b>Up to (RM'000)</b>	<b>Expected timeframe for utilisation (from the date of listing of Placement Shares)</b>
Repayment of bank borrowings	18,000	Within 12 months
Working capital	82,000	Within 12 months
Estimated expenses in relation to the Proposals	8,000	Within 1 month
<b>Total</b>	<b>108,000</b>	

The financial impacts from the utilisation of proceeds from the Proposed Private Placement are as follows:-

(i) Interest savings from repayment of bank borrowings

As set out in Section 10.4, Part A of the Circular, the enlarged DBE Group will have estimated net borrowings of RM189.36 million post Proposed Acquisitions. The partial repayment of the enlarged DBE Group's borrowings of up to RM18.00 million is expected to contribute to an indicative interest saving of up to approximately RM1.01 million per annum, before deducting tax shield effect of RM0.24 million, based on the interest rate of the respective loans which ranges from approximately 4.6% to 6.5% per annum.

(ii) Working capital for on-going projects and future investment opportunities

As set out in Sections 6.6 and 7.5, Part A of the Circular, post completion of the Proposed Acquisitions, the Company intends to use up to approximately RM82.00 million of the proceeds from the Proposed Private Placement to fund the remaining costs for the development of the on-going phases of BBSAP, LTI and Taman Mulia (which will require further costs to be incurred of approximately RM923.04 million).

Further, the proceeds raised from the Proposed Private Placement may be partly used by DBE for any future investment opportunities such as acquisition of land banks and/or joint venture arrangements to further enhance its property development activities as well as broaden the enlarged DBE Group's presence beyond the northern region of Malaysia, should such opportunity arise.

In the event the actual proceeds raised from the Proposed Private Placement differs from the indicative proceeds of RM108.00 million depicted in the table above, the Company shall adjust the utilisation of proceeds from the working capital accordingly.

Any interest or gains derived from the deposits with financial institutions or short-term money market instruments pending full utilisation of proceeds from the Proposed Private Placement will be used as additional working capital of the Group.

(iii) Disbursement of estimated expenses in relation to the Proposals

The estimated expenses in relation to the Proposals are approximately RM8.00 million and shall be funded by the proceeds from the Proposed Private Placement. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the Group's working capital requirements.

In addition, the Proposed Private Placement will enable DBE to increase the number of DBE Shares held by shareholders deemed as "public" according to the MMLR (and hence, the liquidity of DBE Shares) taking into consideration, amongst others, the effects of the issuance of the Consideration Shares as well as the potential conversion of the Consideration RCPS into new DBE Shares on the Company's shareholdings structure.

In view of the inter-conditionality of the Proposals as set out in Section 14, Part A of the Circular, without the approval being obtained for any of the Proposals (i.e. Proposed Acquisitions, Proposed Exemption, Proposed Amendments, Proposed Share Consolidation or Proposed Private Placement), the Proposals will not proceed. Accordingly, DBE will not be able to realise the potential benefits arising from the Proposals as detailed in Section 8 of this IAL.

Based on the above, we are of the view that the rationale of the Proposed Acquisitions and Proposed Exemption is justifiable.

### 3.2 Basis and justification of arriving at the Blossom Purchase Consideration, Rantau Purchase Consideration and Yik Wang Purchase Consideration

#### (A) Evaluation of the Blossom Purchase Consideration

In evaluating the Blossom Purchase Consideration, we have conducted a valuation on the Blossom Group. The Blossom Group is principally engaged in the business of property development. By virtue of the nature of the Blossom Group's principal activities and its business strategies, the Blossom Group has significant investments in real properties including on-going township developments, mixed residential and commercial development projects, land banks and completed properties as well as financial assets.

As at 31 December 2019, the audited total assets of the Blossom Group are represented by 62.2% in real property assets (*classified under property, plant and equipment, investment properties, inventories and contract assets*), 34.0% in financial assets (*classified under trade receivables, other receivables and refundable deposits, fixed deposits with licensed banks as well as cash and bank balances*) and 3.8% in other assets (*classified under property, plant and equipment, right-of-use assets, other receivables, contract assets and tax recoverable*) as tabulated below:-

	Audited		Classified as		
	As at 31 December 2019		Real property assets	Financial assets	Other assets
	(RM'000)	%	(RM'000)	(RM'000)	(RM'000)
<b>Non-current assets</b>					
Property, plant and equipment	8,153	1.2	2,737	-	5,416
Investment properties	1,439	0.2	1,439	-	-
Right-of-use assets	611	0.1	-	-	611
Inventories	117,053	16.5	117,053	-	-
<b>Total non-current assets</b>	<b>127,256</b>	<b>18.0</b>	<b>121,229</b>	<b>-</b>	<b>6,027</b>
<b>Current assets</b>					
Inventories	213,250	30.1	213,250	-	-
Trade receivables	137,589	19.5	-	137,589	-
Other receivables	45,507	6.4	-	33,534	11,973
Contract assets	113,792	16.1	105,402	-	8,390
Tax recoverable	910	0.1	-	-	910
Fixed deposits with licensed banks	4,949	0.7	-	4,949	-
Cash and bank balances	64,252	9.1	-	64,252	-
<b>Total current assets</b>	<b>580,249</b>	<b>82.0</b>	<b>318,652</b>	<b>240,324</b>	<b>21,273</b>
<b>Total assets</b>	<b>707,505</b>	<b>100.0</b>	<b>439,881</b>	<b>240,324</b>	<b>27,300</b>
<b>As a percentage of total assets (%)</b>	<b>100.0</b>		<b>62.2</b>	<b>34.0</b>	<b>3.8</b>

In view that majority of the Blossom Group's assets (*which drive the revenue generation for the Blossom Group*) are real properties and financial assets, we view the RNAV methodology (*an asset-based valuation method*) as the most appropriate method to derive a valuation of the Blossom Group. The RNAV methodology is a generally accepted method in the valuation of property-based entities. This methodology takes into consideration any surplus and/or deficit (*net of tax*) attributable to the owners of Blossom arising from the revaluation of material assets of the Blossom Group to reflect their market values based on the presumption that the assets are realisable on a willing-buyer willing-seller basis in the open market.

In applying the RNAV methodology, certain assumptions are made, amongst others:-

- (i) the Blossom Group will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (ii) for property development projects, they will be implemented / completed and the resulting profits and/or GDV can be achieved as forecasted by the management within the projected time frame;
- (iii) the Blossom Group will be able to obtain the necessary financing and working capital required in addition to its internally generated funds for its business activities and property development projects without any material adverse effect on its financial results, cash flows or business prospects;
- (iv) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the business activities and property development projects of the Blossom Group;
- (v) there will be ready and committed buyer(s) for each asset at its fully revalued basis and the sale can be conducted efficiently without any timing constraints and other relevant market factors which may affect the sale process;
- (vi) there will not be any significant or material changes to the agreements, contracts, property development plans, approvals, licences, permits and regulations governing the business activities and property development projects of the Blossom Group;
- (vii) there will not be any compulsory acquisition of the Blossom Group's land by the relevant state authorities;
- (viii) insurable risks relating to the Blossom Group's assets are and will continue to be appropriately covered by relevant insurance policies and the sums insured are adequate;
- (ix) the current accounting policies adopted by the Blossom Group will remain relevant and there will not be any significant changes in the accounting policies of the Blossom Group which may have a material adverse effect on the financial performance and financial position of the Blossom Group;
- (x) while there may be changes to the risks inherent to the property development business of the Blossom Group due to the outbreak of coronavirus disease 2019 ("**COVID-19**"), effective measures will continue to be implemented to mitigate risks known to the Blossom Group to ensure the financial performance and financial position of the Blossom Group are not materially affected in the longer term; and
- (xi) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the property industry in Malaysia subsequent to the LPD which may have a material adverse effect on the financial performance and financial position of the Blossom Group.

In order to compute the estimated RNAV of the Blossom Group, we have relied upon the valuation conducted by Knight Frank which was appointed by DBE to conduct a valuation on all material real estate for the purpose of submission to Bursa Securities in relation to the Proposed Blossom Acquisition pursuant to Paragraph 10.04 of the MMLR. The valuation was conducted based on the material date of valuation of 31 December 2019 and was prepared in conformity with the Asset Valuation Guidelines issued by the SC and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia.

The Blossom Group Properties (*being all land banks, on-going developments and inventories which are beneficially owned by the Blossom Group, forming its property development business*) have been identified as material real estate to be valued and these properties constitute almost all real properties of the Blossom Group, representing approximately 99% of the NBV of all its real properties as at 31 December 2019. The non-selected properties comprise those classified under property, plant and equipment and investment properties as well as development properties which are not beneficially owned by the Blossom Group (*see further details in the table below*). In our view, the resulting outcome from revaluation of the non-selected properties is not expected to have a material impact to the estimated RNAV of the Blossom Group, taking into consideration the location and type of property, date of acquisition, built-up / land area and tenure of land.

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The salient details of the non-selected properties as of 31 December 2019 are set out in the table below:-

Description and location of subject property	Type of property	Date of acquisition	NBV as at 31.12.2019 (RM'000)	Built-up / Land area	Tenure of land
<b>(I) 7 freehold residential units classified under property, plant and equipment</b>					
(1) No. 31(1F), Taman Mulia, Sitiawan, Manjung	Townhouse (used as a hostel)	1-Jan-17	195	814 square feet (built-up)	Freehold
(2) No. 2 (PT 37147), Setia Residence, Sitiawan, Manjung	2.5-storey terraced house (sold in February 2020)	29-Mar-16	429	2,394 square feet (built-up)	Freehold
(3) No. 343 (Plot 91), Setia Residence, Sitiawan Manjung		1-Jan-17	261	1,914 square feet (built-up)	Freehold
(4) No. 344 (Plot 92), Setia Residence, Sitiawan, Manjung	Double-storey terraced house (used as a hostel)	1-Jan-17	287	1,914 square feet (built-up)	Freehold
(5) No. 345 (Plot 93), Setia Residence, Sitiawan, Manjung		1-Jan-17	338	1,914 square feet (built-up)	Freehold
(6) A210, Casa Damansara, Petaling Jaya, Selangor		31-Jul-18	541	1,033 square feet (built-up)	Freehold
(7) A1101, Casa Damansara, Petaling Jaya, Selangor	Condominium (used as a hostel)	15-Aug-18	687	1,313 square feet (built-up)	Freehold
<b>(II) 2 parcels of vacant freehold agriculture land classified under investment properties (without development order)</b>					
(1) PT6724, Sungai Wangi, Sitiawan, Manjung	Vacant agriculture land	22-Apr-14	719	0.4573 hectares (gross land area)	Freehold
(2) PT6725, Sungai Wangi, Sitiawan, Manjung	Vacant agriculture land	23-Apr-14	719	0.4573 hectares (gross land area)	Freehold



Description and location of subject property	Type of property	Date of acquisition	NBV as at 31.12.2019 (RM'000)	Built-up / Land area	Tenure of land
<b>(III) Development costs incurred on a parcel of freehold land planted with oil palm, and 303 individual leasehold residential lots together with 2 TNB reserved lots (see Section 1.8, Appendix I of the Circular for further details)</b>	<b>Type of property</b>	<b>Date of acquisition</b>	<b>NBV as at 31.12.2019 (RM'000)</b>	<b>Built-up / Land area</b>	<b>Tenure of land</b>
(1) Lot 8746, within the vicinity of Kampung Baharu Ladang Banir, Mukim Chenderiang, District of Batang Padang, Perak	A parcel of agricultural land with potential for residential use, currently planted with oil palm	Pending completion	67	144.7 acres (gross land area)	Freehold
(2) 303 individual residential lots together with 2 TNB reserved lots, Sungai Terap, Perak	Residential lots and TNB reserve lots	Pending completion	183	4,2046 hectares (net land area)	Leasehold (99 years expiring on 25.04.2118)
<b>(IV) 3 units of completed double-storey townhouse from Phase 1F of Taman Tronoh Akasia, which were sold but pending transfer of titles to the end buyers as at 31 December 2019</b>					
(1) Plot 90 (1F), Taman Tronoh Akasia, Belanja, Kinta	Double-storey townhouse	Not applicable (constructed)	133	849 square feet (built-up)	Freehold
(2) Plot 120 (1F), Taman Tronoh Akasia, Belanja, Kinta	Double-storey townhouse	Not applicable (constructed)	123	799 square feet (built-up)	Freehold
(3) Plot 127 (1F), Taman Tronoh Akasia, Belanja, Kinta	Double-storey townhouse	Not applicable (constructed)	123	799 square feet (built-up)	Freehold

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Apart from the Blossom Group's real properties, majority of its other assets comprise liquid assets such as trade receivables, other receivables and refundable deposits, fixed deposits with licensed banks as well as cash and bank balances, whose carrying amounts are reasonably expected to approximate their fair values. In addition, we have discussed with the management of the Blossom Group on whether as at the LPD, there is any evidence for impairment or any material appreciation in value of any non-real property assets of the Blossom Group. We are satisfied with the reasoning and explanation given by the management of the Blossom Group and based on our discussion, we do not come across any such event or circumstance which indicates that any non-real property assets of the Blossom Group ought to be impaired or have materially appreciated in value.

Based on the valuation conducted by Knight Frank, we are of the view that the valuation methodologies adopted are reasonable, appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by Knight Frank and are satisfied with the reasonableness of the key bases and assumptions.

Further, as noted from the Valuation Certificate dated 29 May 2020, notwithstanding the current effects of the COVID-19 on the economy and property market of Malaysia, Knight Frank is of the opinion that its valuation is still valid as at the date of the Valuation Certificate after taking into consideration the available evidences as at the date of valuation, past historical economic cycles vis-à-vis the property market performance, the profile of Blossom Group, the type and product range offered, pricing, location of the properties, buyer's profile and the demand for such properties offered by Blossom Group.

As such, we are satisfied with the valuation conducted by Knight Frank as well as the reasonableness of the opinion of the market value expressed by Knight Frank on the Blossom Group Properties and have relied upon such market values for the purpose of computing the estimated RNAV of the Blossom Group.

In arriving at the opinion of the market value for the Blossom Group Properties, the following valuation methodologies were adopted by Knight Frank:-

(i) Comparison approach

The comparison approach entails comparing the subject property with similar properties that have been transacted in the open market or listed / offered for sale within the same location or other comparable localities. In comparing property, due consideration is given to factors such as location, size, building differences, improvements and amenities, planning and plot ratio, time element and other relevant factors to arrive at the market value. This approach is generally adopted in valuing subject properties where there are appropriate and adequate comparable sales evidences.

(ii) Income approach by residual method

The income approach by residual method is based on the premise that the price which a purchaser can pay for a property is the present value of the surplus amount or residual value after deducting out the full cost of development (GDC) and profit from the sales proceeds (GDV) of the completed development, which is then discounted at an appropriate rate to reflect the inherent risk and holding cost for the period of development to arrive at the current market value. 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.

(iii) Cost approach

The cost approach provides an indication of value using the economic principle that a buyer will not pay for an asset more than the cost to obtain an asset of equal utility, whether by purchase or construction, unless undue time, inconvenience, risk or other factors are involved. This cost approach by summation method is founded on the economic principle of substitution and expressed in methodology as the value of the land plus the depreciated building value. In practice, the estimate of the land value component is arrived at principally by the comparison approach. The building value component is arrived at by the depreciated replacement cost method, whereby an estimate is made of the replacement cost new and then allowing for depreciation based on physical deterioration, functional obsolescence and economic obsolescence. This approach is generally adopted in valuing subject properties where there are appropriate and adequate comparable sales evidences for the land component and reasonable estimates or actual cost of construction for the buildings are readily available.

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The salient details of the Blossom Group Properties and their valuation as at the material date of valuation of 31 December 2019 are set out in the table below:-

No.	Description of subject property and details of valuation	Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method
(1)	BBSAP in Mukim Sitiawan, District of Manjung, Perak Darul Ridzuan An on-going township development comprising:-	HSD44113 to HSD44116 HSD45362 HSD45567  HSD46640 to HSD48131  Single-storey terraced house HSD44550 to HSD45085, HSD45621 to HSD46639  Double-storey terraced house HSD45593 to HSD45620  Vacant commercial lot HSD45592 GRN181974	PT44357 to PT44360 PT45606 PT45811  PT46884 to PT48375  Single-storey terraced house PT44794 to PT45329, PT45865 to PT46883  Double-storey terraced house PT45837 to PT45864  Vacant commercial lot PT45836 Lot 75392	Phase 1A: 6 units of completed single-storey terraced house  Phase 1C: An on-going residential development comprising 1,476 units of single-storey cluster house and 16 units of single-storey detached house  Phase 1D: An on-going mixed development comprising 1,555 units of single-storey terraced house, 28 units of double-storey terraced shop office and 1 vacant commercial lot  Phase 2A and 2C: An on-going mixed development comprising 219 units of double-storey terraced shop office, 996 units of single-storey cluster semi-detached house, 6 units of single-storey semi-detached house, 15 units of single-storey detached house, 1 plot of commercial land and 1 plot of petrol station land  Phase 2D: A parcel of residential land approved for the development of 1,160 units of single-storey cluster semi-detached house and 8 units of single-storey detached house	Not applicable (constructed)  03-Jul-13  03-Jul-13  03-Jul-13	501,66 (built-up)  285,757 (gross land area)  211,993 (gross land area)  913,900 (gross land area)	Building  Building  Building  Building	Freehold  Freehold  Freehold  Freehold	Comparison approach (primary method) Cost approach (cross-check)  Income approach (residual method)  Income approach (residual method)  Phase 2A and 2C Income approach (residual method)  Phase 2D Income approach (residual method) Comparison approach (cross-check)

No.	Description of subject property and details of valuation						
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sgm)	Category of land use	Tenure of land	Valuation method
GRN181842	Lot 75261	Phase 2B: An on-going residential development comprising 829 units of single-storey terraced house	03-Jul-13	245,100 (gross land area)	Building	Freehold	Income approach (residual method)
HSD48253	PT48443	Phase 3A: A parcel of residential development land currently in the midst of approval for 1,074 units of single-storey terraced house, 53 units of single-storey shop office and 2 vacant commercial plot	03-Jul-13	296,477 (gross land area)	Building	Freehold	Income approach (residual method) (primary method) Comparison approach (cross-check)
HSD48252	PT48442	Phase 3B: An on-going residential development comprising 1,241 units of single-storey terraced house and 2 units of single-storey semi-detached house	03-Jul-13	286,910 (gross land area)	Building	Freehold	Income approach (residual method)
HSD48250, HSD48251, GRN181972 and GRN181976	PT48440, PT48441, Lot 75390 and Lot 75394	4 parcels of vacant residential development land	03-Jul-13	485,546 (gross land area)	Building	Freehold	Comparison approach
HSD40675, GRN181837, GRN181838, GRN181840, GRN181841, GRN181895 and GRN181896	PT42255, PT75257, PT75258, PT75259, PT75260, PT75314 and PT75315	7 parcels of vacant agriculture land	03-Jul-13	1,370,541 (gross land area)	Agriculture	Freehold	Comparison approach
Registered owner	Ladang Awana*, in respect of Phase 1A, 1C, 1D, 2A, 2C, 2D, residential land Lot 75390 and agriculture land PT42255, PT75314 and PT75315 Blossom, in respect of Phase 2B, 3A and 3B, residential land PT48440, PT48441, Lot75394 and agriculture land PT75257 to PT75260						
Total market value	RM480,560,000						
Note:- *	As at the LPD, the sale and purchase agreement made between Nadi Agrobusiness Sdn Bhd (currently known as Ladang Awana) and Blossom has been completed pursuant to the terms and conditions contained therein. As at the date of valuation, all titles are intended to be transferred directly to the end buyers / are currently pending transfer to the end buyers, upon the sales of the respective units.						

No.	Description of subject property and details of valuation	Title No / Lot No / Description of subject property / Land and/or built-up area / Category of land use / Tenure of land / Valuation method
(2)	<p><b>LTI in Mukim Durian Sebatang, District of Hilir Perak, Perak Darul Ridzuan</b></p> <p>An on-going township development comprising:-</p>	<p><b>Description of subject property</b></p> <p>Phase 1 of 1,997 subdivided individual titles consisting of:-</p> <p><b>On-going</b></p> <p>An on-going development of 1,487 units of single-storey terraced house, 356 units of single-storey cluster house and 4 units of TNB substation</p> <p><b>Future launches</b></p> <p>Proposed development of 137 units of double-storey terraced shop office, 2 units of single-storey semi-detached house and 5 units of single-storey detached house together with additional 4 agricultural plots, 1 unit of stall and 1 unit of Main Distribution Substation (PPU)</p> <p>Phase 2: Vacant development land consisting of 18 block parcels of development land, approved for the development of 2,667 units of single-storey terraced house</p> <p>Phase 3A: Vacant development land consisting of 8 block parcels for development of 1,080 units of cluster house and 18 units of detached house</p> <p>Phase 3B: Vacant development land consisting of 8 block parcels of development land, proposed for the development of 775 units of terraced house together with additional 28 parcels of agricultural plots</p>
	<p><b>Title No</b></p> <p>HSD24611 to HSD26607</p>	<p><b>Lot No</b></p> <p>PT26803 to PT28799</p>
	<p><b>Description of subject property</b></p> <p>Phase 1 of 1,997 subdivided individual titles consisting of:-</p> <p><b>On-going</b></p> <p>An on-going development of 1,487 units of single-storey terraced house, 356 units of single-storey cluster house and 4 units of TNB substation</p> <p><b>Future launches</b></p> <p>Proposed development of 137 units of double-storey terraced shop office, 2 units of single-storey semi-detached house and 5 units of single-storey detached house together with additional 4 agricultural plots, 1 unit of stall and 1 unit of Main Distribution Substation (PPU)</p> <p>Phase 2: Vacant development land consisting of 18 block parcels of development land, approved for the development of 2,667 units of single-storey terraced house</p> <p>Phase 3A: Vacant development land consisting of 8 block parcels for development of 1,080 units of cluster house and 18 units of detached house</p> <p>Phase 3B: Vacant development land consisting of 8 block parcels of development land, proposed for the development of 775 units of terraced house together with additional 28 parcels of agricultural plots</p>	<p><b>Date of acquisition</b></p> <p>22-May-17</p>
	<p><b>Land / Built-up area (sqm)</b></p> <p>501,147 (net land area)</p>	<p><b>Category of land use</b></p> <p>PT26803 to PT28790 Building PT28791 to PT28794 Agriculture PT28795 to PT28799 Industrial</p>
	<p><b>Tenure of land</b></p> <p>Leasehold (99 years expiring on 26.12.2118)</p>	<p><b>Valuation method</b></p> <p>Income approach (residual method)</p>
	<p><b>Title No</b></p> <p>PN379066, PN379067, PN379088 to PN379093, PN379838, PN379094 to PN379102</p>	<p><b>Lot No</b></p> <p>Lot 59372, Lot 59373 and Lot 59394 to Lot 59409</p>
	<p><b>Date of acquisition</b></p> <p>22-May-17</p>	<p><b>Category of land use</b></p> <p>Agriculture</p>
	<p><b>Land / Built-up area (sqm)</b></p> <p>765,260 (gross land area)</p>	<p><b>Valuation method</b></p> <p>Income approach (residual method) Comparison approach (cross-check)</p>
	<p><b>Title No</b></p> <p>PN378973, PN378975, PN378977, PN378979, PN378981, PN378983, PN378985, PN378987</p>	<p><b>Lot No</b></p> <p>Lot 59334 to Lot 59341</p>
	<p><b>Date of acquisition</b></p> <p>22-May-17</p>	<p><b>Category of land use</b></p> <p>Agriculture</p>
	<p><b>Land / Built-up area (sqm)</b></p> <p>349,170 (gross land area)</p>	<p><b>Valuation method</b></p> <p>Income approach (residual method) Comparison approach (cross-check)</p>
	<p><b>Title No</b></p> <p>PN378978, PN378980, PN378982, PN378984, PN378986, PN378999 to PN379001</p>	<p><b>Lot No</b></p> <p>Lot 59424 to Lot 59431</p>
	<p><b>Date of acquisition</b></p> <p>6-Mar-17</p>	<p><b>Category of land use</b></p> <p>Agriculture</p>
	<p><b>Land / Built-up area (sqm)</b></p> <p>345,430 (gross land area)</p>	<p><b>Valuation method</b></p> <p>Income approach (residual method) Comparison approach (cross-check)</p>

No.	Description of subject property and details of valuation						
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method
PN378940 to PN378949 PN378966 to PN378969, PN378971, PN378974, PN378976, PN379002 to PN379047, PN379833, PN379839	Lot 59307 to Lot 59316 Lot 59417 to Lot 59423 Lot 59432 to Lot 59479	65 parcels of agricultural land currently planted with oil palm trees	6-Mar-17 (Lot 59307 to Lot 59316, Lot 59417 to Lot 59423 and Lot 59432 to Lot 59443)  8-Mar-17 (Lot 59444 to Lot 59479)	2,721,550 (gross land area)	Agriculture	Leasehold (99 years expiring on 16.12.2091)	Comparison approach
Registered owner	Ladang Awana*, in respect of the Uncompleted Portion of Teluk Intan Land Taraf (a wholly-owned subsidiary of Blossom), in respect of Phase 1 (save for 4 plots of agricultural land comprise in the Uncompleted Portion of Teluk Intan Land ("Phase 1 Agricultural Plots")) Blossom, in respect of Phase 3B and agricultural lands						
Total market value	RM269,700,000						
	<b>Note:-</b> * In respect of the Teluk Intan SPA:- (a) Save for the Phase 1 Agricultural Plots i.e. PT28791 to PT28794 held under HSD26599 to HSD26602, the sale and purchase for the land under Phase 1 have been completed and it is the intention of the parties that all titles are to be transferred directly to the end buyers; and (b) The sale and purchase for the Uncompleted Portion of Teluk Intan Land has yet to be completed as at the date of valuation.						

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No.	Description of subject property and details of valuation	Title No / Lot No / Description of subject property / Land and/or built-up area / Category of land use / Tenure of land / Valuation method
(3)	<p><b>Taman Mulia in Mukim Sitiawan, District of Manjung, Perak Darul Ridzuan</b></p> <p>A township development comprising:-</p>	<p>Title No / Lot No / Description of subject property / Land and/or built-up area / Category of land use / Tenure of land / Valuation method</p>
	<p>GRN167687, GRN167716, GRN167722, GRN167750, GRN167761, GRN167764, GRN167767 and GRN167665</p>	<p>Lot Nos. 72238, 72253, 72258, 72268, 72271, 72272, 72273 and 72292</p>
	<p>GRN167515, GRN167519, GRN167521, GRN167541, GRN167543, GRN167550, GRN167572, GRN167574, GRN167576, GRN167580, GRN167581, GRN167591, GRN167601, GRN167646, GRN167649, GRN167655, GRN167658, GRN167667, GRN167675 and GRN167685</p>	<p>Lot Nos. 72157, 72161, 72163, 72183, 72185, 72187, 72192, 72194, 72195, 72196, 72197, 72198, 72201, 72207, 72210, 72216, 72219, 72227, 72232 and 72237</p>
	<p>Phase 1: 10 units of completed townhouse</p>	<p>Phase 2: 4 units of completed single-storey terraced house and 16 units of double-storey terraced house</p>
	<p>Not applicable (constructed)</p>	<p>Not applicable (constructed)</p>
	<p>981.05 (built-up)</p>	<p>3,100.44 (built-up)</p>
	<p>Building</p>	<p>Building</p>
	<p>Freehold</p>	<p>Freehold</p>
	<p>Comparison approach</p>	<p>Comparison approach (primary method) Cost approach (cross-check)</p>
	<p>PT40396 to PT40539</p>	<p>Phase 3: 144 residential plots approved for the development of 144 units of single-storey terraced house</p>
	<p>HSD38740 to HSD38883</p>	
	<p>Building</p>	<p>Building</p>
	<p>Freehold</p>	<p>Freehold</p>
	<p>Income approach (residual method) Comparison approach (cross-check)</p>	<p>Income approach (residual method) Comparison approach (cross-check)</p>



No.	Description of subject property and details of valuation						
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method
GRN167981, GRN167983, GRN167985, GRN167987, GRN167989 to GRN167997, GRN167999 to GRN168001, GRN168003, GRN168061, GRN168063, GRN168066, GRN168069 to GRN168077, GRN168079, GRN168081, GRN168083, GRN168085, GRN168087, GRN168088, GRN168090, GRN168092 and GRN168093	PT72524 to PT72561	Phase 4a: 26 residential semi-detached plots and 12 residential detached plots approved for the development of 96 units of double-storey semi-detached townhouse and 2 units of single-storey detached house	15-Jul-05	16,637 (net land area)	Building	Freehold	Income approach (residual method) Comparison approach (cross-check)
HSD38884 to HSD38953	PT40540 to PT40609	Phase 4b: 54 residential semi-detached plots and 16 residential detached plots approved for the development of 86 units of single-storey semi-detached townhouse and 6 units of single-storey detached house	15-Jul-05	30,577 (net land area)	Building	Freehold	Income approach (residual method) Comparison approach (cross-check)
HSD34612 to HSD34613	PT7609 to PT7610	Phase 5: 2 adjoining parcels of development land	15-Jul-05	54,430 (gross land area)	Agriculture	Freehold	Comparison approach
Registered owner	: Triprise* (a 60%-owned subsidiary of Blossom)						
Total market value	: RM64,890,000						
Note:-							
* Pursuant to the joint venture agreement dated 15 November 2013 and the supplemental letter dated 22 November 2013 entered into between Triprise (as the landowner) and Blossom (as the developer) to jointly develop Taman Mulia, Triprise had contributed the land for the project and shall be entitled to receive a total sum of up to RM46,600,000 (subject to the launch of each phase of the project) as landowner's entitlement. As at 31 December 2019, the remaining landowner's entitlement was RM37,613,769 ("Taman Mulia Remaining Landowner's Entitlement")							

No.	Description of subject property and details of valuation	Title No / Lot No / Description of subject property / Land and/or built-up area / Category of land use / Tenure of land / Valuation method
(4)	<p><b>Setia Residence in Mukim Sitiawan, District of Manjung, Perak Darul Ridzuan</b></p> <p>A township development comprising:-</p>	<p><b>Description of subject property</b></p>
	<p><b>Title No</b></p> <p>HSD33120, HSD33134, HSD33135, HSD33136, HSD33168 and HSD33169</p>	<p><b>Lot No</b></p> <p>PT36870, PT36884, PT36885, PT36888, PT36918 and PT36919</p>
	<p><b>Description of subject property</b></p> <p>Phase 3: 4 units of completed double-storey terraced house and 2 units of completed double-storey detached house</p>	<p><b>Date of acquisition</b></p> <p>Not applicable (constructed)</p>
	<p><b>Title No</b></p> <p>HSD33020, HSD33025, HSD33027, HSD33028, HSD33031, HSD33035, HSD33037, HSD33038, HSD33040, HSD33042, HSD33043, HSD33044, HSD33045, HSD33046, HSD33049, HSD33057, HSD33058, HSD33059, HSD33075 and HSD33097</p>	<p><b>Lot No</b></p> <p>PT36770, PT36775, PT36777, PT36778, PT36781, PT36785, PT36787, PT36788, PT36790, PT36792, PT36793, PT36794, PT36795, PT36796, PT36799, PT36807, PT36808, PT36809, PT36825 and PT36847</p>
	<p><b>Description of subject property</b></p> <p>Phase 4: 20 units of completed double-storey terraced house</p>	<p><b>Date of acquisition</b></p> <p>Not applicable (constructed)</p>
	<p><b>Title No</b></p> <p>HSD39550, HSD39555, HSD39556, HSD39558, HSD39530, HSD39531, HSD39538 and HSD39549</p>	<p><b>Lot No</b></p> <p>PT41194, PT41199, PT41200, PT41202, PT41174, PT41175, PT41182 and PT41193</p>
	<p><b>Description of subject property</b></p> <p>Phase 5: 4 units of completed double-storey semi-detached house, 3 units of three-storey shop office and 1 unit of double-storey shop office</p>	<p><b>Date of acquisition</b></p> <p>Not applicable (constructed)</p>
	<p><b>Land / Built-up area (sqm)</b></p> <p>Double-storey terraced house 4,120.32 (built-up)</p> <p>Double-storey detached house 713.50 (built-up)</p>	<p><b>Category of land use</b></p> <p>Building</p>
	<p><b>Valuation method</b></p> <p>Comparison approach (primary method) Cost approach (cross-check)</p> <p>Comparison approach (primary method) Cost approach (cross-check)</p>	<p><b>Tenure of land</b></p> <p>Freehold</p> <p>Freehold</p>
	<p><b>Land / Built-up area (sqm)</b></p> <p>Double-storey semi-detached house 1,207.72 (built-up)</p> <p>Three-storey shop office 1,638.81 (built-up)</p> <p>Double-storey shop office 260.13 (built-up)</p>	<p><b>Category of land use</b></p> <p>Building</p>
	<p><b>Valuation method</b></p> <p>Comparison approach (primary method) Cost approach (cross-check)</p>	<p><b>Tenure of land</b></p> <p>Freehold</p>

No.	Description of subject property and details of valuation									
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method			
HSD32964 to HSD33014	PT36714 to PT36764	Phase 6a: 51 parcels of subdivided residential terraced plots approved for the development of 51 units of terraced house	1-Jan-14	7,233 (net land area)	Building	Freehold	Income approach (residual method) (primary method) Comparison approach (cross-check)			
Residential land HSD39564 to HSD39587 Agriculture land HSD33403	Residential land PT41208 to PT41231 Agriculture land PT37153	Phase 6b: 24 parcels of residential cluster plots and a parcel of agriculture land approved for 24 units of double-storey cluster house and a retention pond	1-Jan-14	13,565 (net land area)	Residential land Building Agriculture land Agriculture	Freehold	Income approach (residual method) (primary method) Comparison approach (cross-check)			
HSD33401	PT37151	Plot 438: a parcel of residential detached plot approved for a double-storey detached house	1-Jan-14	828 (net land area)	Building	Freehold	Comparison approach			
Registered owner	: Dunia Kukuh Sdn Bhd*									
Total market value	: RM34,450,000									
<b>Note:-</b>								<p>The sale and purchase agreement between Dunia Kukuh Sdn Bhd (as vendor) and Greenstone Development Sdn Bhd (as purchaser) had been completed and accordingly Greenstone Development Sdn Bhd was deemed as the beneficial owner of the parcels of land. Subsequently, Greenstone Development Sdn Bhd had subdivided the parcels of land and granted Blossom the rights to develop the subdivided land(s) via a joint venture agreement. As at the valuation date, all payments payable by Blossom to Greenstone Development Sdn Bhd under the joint venture agreement has been made and Blossom is deemed the beneficial owner of the subdivided land(s) by virtue of its interest under the joint venture agreement. Nonetheless, it is the intention of the parties that all titles are intended to be transferred directly to the end buyers upon the sales of the respective units</p>		

No.	Description of subject property and details of valuation																								
(5)	<p data-bbox="215 302 239 1836"><b>Taman Tronoh Akasia in Mukim Belania, District of Kinta, Perak Darul Ridzuan</b></p> <p data-bbox="247 302 271 1836">An on-going mixed development comprising:-</p> <table border="1" data-bbox="279 136 718 1859"> <thead> <tr> <th>Title No</th> <th>Lot No</th> <th>Description of subject property</th> <th>Date of acquisition</th> <th>Land / Built-up area (sqm)</th> <th>Category of land use</th> <th>Tenure of land</th> <th>Valuation method</th> </tr> </thead> <tbody> <tr> <td>PN415696, PN415698, PN415699, PN415701 to PN415719 and PN415802</td> <td>Lot Nos. 339337 to 339359</td> <td>Phase 3: Vacant commercial land comprising 23 parcels of subdivided terraced plots approved for the development of 15 units of double-storey and 8 units of three-storey terraced shop office</td> <td>16-Jan-14</td> <td>3,428 (net land area)</td> <td>Building</td> <td>Leasehold (99 years expiring on 19.05.2113)</td> <td>Income approach (residual method) (primary method) Comparison approach (cross-check)</td> </tr> <tr> <td>PN415844, PN415846, PN415855, PN415857, PN415863, PN415865, PN415876, PN415880, PN415882, PN415884, PN415886, PN415889, PN415891, PN415894 and PN415896</td> <td>Lot Nos. 339398 to 339412</td> <td>Phase 4: Vacant residential land comprising 15 parcels of subdivided detached plots approved for the development of 15 units of single-storey detached house</td> <td>16-Jan-14</td> <td>8,821 (net land area)</td> <td>Building</td> <td>Leasehold (99 years expiring on 19.05.2113)</td> <td>Income approach (residual method) (primary method) Comparison approach (cross-check)</td> </tr> </tbody> </table> <p data-bbox="742 136 766 1836">Registered owner : Sinar Ribuan Sdn Bhd*</p> <p data-bbox="790 136 813 1836">Total market value : RM1,860,000</p> <p data-bbox="837 136 861 1836"><b>Note:-</b></p> <p data-bbox="869 136 933 1836">* The agreements made between Sinar Ribuan Sdn Bhd and Blossom have been completed pursuant to the terms and conditions contained therein. Nonetheless, it is the intention of the parties that all titles are intended to be transferred directly to the end buyers / are currently pending transfer to the end buyers, upon the sales of the respective units.</p>	Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method	PN415696, PN415698, PN415699, PN415701 to PN415719 and PN415802	Lot Nos. 339337 to 339359	Phase 3: Vacant commercial land comprising 23 parcels of subdivided terraced plots approved for the development of 15 units of double-storey and 8 units of three-storey terraced shop office	16-Jan-14	3,428 (net land area)	Building	Leasehold (99 years expiring on 19.05.2113)	Income approach (residual method) (primary method) Comparison approach (cross-check)	PN415844, PN415846, PN415855, PN415857, PN415863, PN415865, PN415876, PN415880, PN415882, PN415884, PN415886, PN415889, PN415891, PN415894 and PN415896	Lot Nos. 339398 to 339412	Phase 4: Vacant residential land comprising 15 parcels of subdivided detached plots approved for the development of 15 units of single-storey detached house	16-Jan-14	8,821 (net land area)	Building	Leasehold (99 years expiring on 19.05.2113)	Income approach (residual method) (primary method) Comparison approach (cross-check)
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method																		
PN415696, PN415698, PN415699, PN415701 to PN415719 and PN415802	Lot Nos. 339337 to 339359	Phase 3: Vacant commercial land comprising 23 parcels of subdivided terraced plots approved for the development of 15 units of double-storey and 8 units of three-storey terraced shop office	16-Jan-14	3,428 (net land area)	Building	Leasehold (99 years expiring on 19.05.2113)	Income approach (residual method) (primary method) Comparison approach (cross-check)																		
PN415844, PN415846, PN415855, PN415857, PN415863, PN415865, PN415876, PN415880, PN415882, PN415884, PN415886, PN415889, PN415891, PN415894 and PN415896	Lot Nos. 339398 to 339412	Phase 4: Vacant residential land comprising 15 parcels of subdivided detached plots approved for the development of 15 units of single-storey detached house	16-Jan-14	8,821 (net land area)	Building	Leasehold (99 years expiring on 19.05.2113)	Income approach (residual method) (primary method) Comparison approach (cross-check)																		
(6)	<p data-bbox="965 302 989 1836"><b>Nos. 91, 92 and 93, Jalan Desa 2/1, Taman Desa 2, Simpang Dua, 32000 Sitiawan, Perak Darul Ridzuan ("Taman Desa Shop Offices")</b></p> <p data-bbox="997 302 1021 1836">3 units of completed double-storey intermediate terraced shop office as follows:-</p> <table border="1" data-bbox="1029 136 1212 1859"> <thead> <tr> <th>Title No</th> <th>Lot No</th> <th>Description of subject property</th> <th>Date of acquisition</th> <th>Land / Built-up area (sqm)</th> <th>Category of land use</th> <th>Tenure of land</th> <th>Valuation method</th> </tr> </thead> <tbody> <tr> <td>GRN171124, GRN171125 and GRN171126</td> <td>Lot Nos. 70969, 70970 and 70971</td> <td>3 units of completed double-storey intermediate terraced shop office</td> <td>Not applicable (constructed)</td> <td>702.69 (built-up)</td> <td>Building</td> <td>Freehold</td> <td>Comparison approach (primary method) Cost approach (cross-check)</td> </tr> </tbody> </table> <p data-bbox="1236 136 1260 1836">Registered owner : Blossom</p> <p data-bbox="1284 136 1308 1836">Total market value : RM910,000</p>	Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method	GRN171124, GRN171125 and GRN171126	Lot Nos. 70969, 70970 and 70971	3 units of completed double-storey intermediate terraced shop office	Not applicable (constructed)	702.69 (built-up)	Building	Freehold	Comparison approach (primary method) Cost approach (cross-check)								
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method																		
GRN171124, GRN171125 and GRN171126	Lot Nos. 70969, 70970 and 70971	3 units of completed double-storey intermediate terraced shop office	Not applicable (constructed)	702.69 (built-up)	Building	Freehold	Comparison approach (primary method) Cost approach (cross-check)																		

No.	Description of subject property and details of valuation																
(7)	<p data-bbox="215 436 239 1769"><b>Agricultural land located off Jalan Lumut and within the vicinity of Sungai Wangi, Perak Darul Ridzuan ("Sungai Wangi Agricultural Land")</b></p> <p data-bbox="247 907 271 1769">Vacant agricultural land comprising 8 parcels of land with potential for residential use as follows:-</p> <table border="1" data-bbox="279 134 422 1769"> <thead> <tr> <th>Title No</th> <th>Lot No</th> <th>Description of subject property</th> <th>Date of acquisition</th> <th>Land / Built-up area (sqm)</th> <th>Category of land use</th> <th>Tenure of land</th> <th>Valuation method</th> </tr> </thead> <tbody> <tr> <td>HSD30233, HSD30234, HSD30226 to HSD30228, HSD30199 to HSD30201</td> <td>PT6733, PT6734, PT6726 to PT6728, PT6699 to PT6701</td> <td>Vacant agricultural land comprising 8 parcels of land with potential for residential use</td> <td>8-Jun-18</td> <td>41,082 (gross land area)</td> <td>Agriculture</td> <td>Freehold</td> <td>Comparison approach</td> </tr> </tbody> </table> <p data-bbox="438 1691 518 1769">Blossom RM5,300,000</p>	Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method	HSD30233, HSD30234, HSD30226 to HSD30228, HSD30199 to HSD30201	PT6733, PT6734, PT6726 to PT6728, PT6699 to PT6701	Vacant agricultural land comprising 8 parcels of land with potential for residential use	8-Jun-18	41,082 (gross land area)	Agriculture	Freehold	Comparison approach
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method										
HSD30233, HSD30234, HSD30226 to HSD30228, HSD30199 to HSD30201	PT6733, PT6734, PT6726 to PT6728, PT6699 to PT6701	Vacant agricultural land comprising 8 parcels of land with potential for residential use	8-Jun-18	41,082 (gross land area)	Agriculture	Freehold	Comparison approach										
(8)	<p data-bbox="550 414 574 1769"><b>Agricultural land located along Federal Route 1 and within Mukim and District of Kampar, Perak Darul Ridzuan ("Kampar Agricultural Land")</b></p> <p data-bbox="582 840 606 1769">Vacant agricultural land comprising 7 contiguous parcels of land with potential for mixed use as follows:-</p> <table border="1" data-bbox="614 134 774 1769"> <thead> <tr> <th>Title No</th> <th>Lot No</th> <th>Description of subject property</th> <th>Date of acquisition</th> <th>Land / Built-up area (sqm)</th> <th>Category of land use</th> <th>Tenure of land</th> <th>Valuation method</th> </tr> </thead> <tbody> <tr> <td>GRN126550, GRN126553, GRN124519, GRN124522, GRN124524, GRN124525 and GRN124531</td> <td>Lot Nos. 19040, 7060, 39304, 39305, 39306, 39307 and 39309</td> <td>Vacant agricultural land comprising 7 contiguous parcels of land with potential for mixed use</td> <td>20-Apr-17</td> <td>113,161 (gross land area)</td> <td>Agriculture</td> <td>Freehold</td> <td>Comparison approach</td> </tr> </tbody> </table> <p data-bbox="790 1691 869 1769">Blossom RM13,000,000</p>	Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method	GRN126550, GRN126553, GRN124519, GRN124522, GRN124524, GRN124525 and GRN124531	Lot Nos. 19040, 7060, 39304, 39305, 39306, 39307 and 39309	Vacant agricultural land comprising 7 contiguous parcels of land with potential for mixed use	20-Apr-17	113,161 (gross land area)	Agriculture	Freehold	Comparison approach
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(9)	<p data-bbox="901 638 925 1769"><b>Agricultural land located within the vicinity of Teluk Rubiah, Perak Darul Ridzuan ("Teluk Rubiah Agricultural Land")</b></p> <p data-bbox="933 907 957 1769">Vacant agricultural land comprising 2 parcels of land with potential for residential use as follows:-</p> <table border="1" data-bbox="965 134 1109 1769"> <thead> <tr> <th>Title No</th> <th>Lot No</th> <th>Description of subject property</th> <th>Date of acquisition</th> <th>Land / Built-up area (sqm)</th> <th>Category of land use</th> <th>Tenure of land</th> <th>Valuation method</th> </tr> </thead> <tbody> <tr> <td>GM2384 and GM2385</td> <td>Lot Nos. 2552 and 2553</td> <td>Vacant agricultural land comprising 2 parcels of land with potential for residential use</td> <td>3-Jul-17</td> <td>37,585 (gross land area)</td> <td>Agriculture</td> <td>Freehold</td> <td>Comparison approach</td> </tr> </tbody> </table> <p data-bbox="1125 1691 1204 1769">Blossom RM2,300,000</p>	Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method	GM2384 and GM2385	Lot Nos. 2552 and 2553	Vacant agricultural land comprising 2 parcels of land with potential for residential use	3-Jul-17	37,585 (gross land area)	Agriculture	Freehold	Comparison approach
Title No	Lot No	Description of subject property	Date of acquisition	Land / Built-up area (sqm)	Category of land use	Tenure of land	Valuation method										
GM2384 and GM2385	Lot Nos. 2552 and 2553	Vacant agricultural land comprising 2 parcels of land with potential for residential use	3-Jul-17	37,585 (gross land area)	Agriculture	Freehold	Comparison approach										

For further details on the Blossom Group Properties and their valuation, please refer to Section 1.7, Appendix I of the Circular and the Valuation Certificate in Appendix IV of the Circular.

After considering the valuation of the Blossom Group Properties as derived by Knight Frank based on the Valuation Certificate dated 29 May 2020, the estimated RNAV of the Blossom Group is as follows:-

	<u>Amount</u> <u>(RM'000)</u>	<u>Amount</u> <u>(RM'000)</u>	<u>Amount</u> <u>(RM'000)</u>
Audited NA of the Blossom Group as at 31 December 2019			311,895
<b>Add:</b> Market value of the Blossom Group Properties			
(1) BBSAP township development	480,560		
(2) LTI township development	269,700		
(3) Taman Mulia township development	64,890		
(4) Setia Residence township development	34,450		
(5) Taman Tronoh Akasia mixed development	1,860		
(6) Taman Desa Shop Offices	910		
(7) Sungai Wangi Agricultural Land	5,300		
(8) Kampar Agricultural Land	13,000		
(9) Teluk Rubiah Agricultural Land	2,300		
		872,970	
<b>Less:</b> Carrying amount of the Blossom Group Properties			
- inventories	329,674		
- contract assets	105,402		
- accrued contractor works	(9,240)		
		(425,836)	
<b>Less:</b> Taman Mulia Remaining Landowner's Entitlement ( <i>net of land costs incurred by Triprise</i> ) attributable to the non-controlling interests of Triprise			(12,067)
Gross revaluation surplus		435,067	
<b>Less:</b> Deferred taxation of 24%		(104,416)	
Net revaluation surplus			<u>330,651<sup>(1)</sup></u>
<b>Estimated RNAV of the Blossom Group</b>			<u><b>642,546</b></u>

**Note:-**

(1) This includes the net revaluation surplus arising from the Uncompleted Portion of Teluk Intan Land. As at the LPD, the acquisition of the Uncompleted Portion of Teluk Intan Land has yet to be completed, pending the fulfilment of the final condition precedent under the Teluk Intan SPA which requires Ladang Awana (being the vendor of the Teluk Intan SPA) to obtain the approval from the Estate Land Board for the sale and transfer of the Uncompleted Portion of Teluk Intan Land to Taraf. Notwithstanding that, pursuant to the terms of a letter of extension dated 21 April 2018 which is supplemental to the Teluk Intan SPA, Taraf had on 21 April 2018 received vacant possession and had on 15 February 2019 received the power of attorney granted by Ladang Awana to commence development on the Uncompleted Portion of Teluk Intan Land.

In the event of non-completion of the Teluk Intan SPA within the period stipulated in the Blossom SSA, the Blossom Purchase Consideration will be adjusted in accordance with Blossom SSA. Pursuant to the Blossom SSA, the Retention RCPS (which amounts to the net revaluation surplus arising from the respective Uncompleted Portion of Teluk Intan Land) shall only be allotted and issued to Lagenda within 30 business days from:-

- (i) the Blossom Completion Date; or
- (ii) the date of completion of the sale and purchase of the respective Uncompleted Portion of Teluk Intan Land,

whichever is later and provided that such sale and purchase of the aforesaid land is completed in accordance with the terms and conditions of the Teluk Intan SPA within 1 year from the Blossom Completion Date. After the completion of (i) Blossom SSA and (ii) sale and purchase of the respective Uncompleted Portion of Teluk Intan Land, the DBE Group shall be the beneficial owner of the said land.

As the Blossom Purchase Consideration of up to RM642.55 million is **equivalent to** the estimated RNAV of the Blossom Group, we view the Blossom Purchase Consideration to be justifiable. In addition, we view the settlement of Blossom Related Party Advances (*which is based on outstanding loans or advances already currently owing by the Blossom Group to Doh Properties and its related parties and persons connected with it, which shall be assumed by DBE upon completion of the Proposed Blossom Acquisition*) to be justifiable.

**(B) Evaluation of the Rantau Purchase Consideration**

In evaluating the Rantau Purchase Consideration, we have conducted a valuation on Rantau. Rantau is principally engaged in project management for building construction and is the in-house project management arm of the Blossom Group. As at 31 December 2019, Rantau has an outstanding orderbook of approximately RM1.17 billion which mainly comprises construction contracts awarded by the Blossom Group for its development projects.

In arriving at the valuation of Rantau, we have adopted the sum-of-parts valuation (“SOPV”) model as our valuation method in view that the value of Rantau comprises (i) construction business and (ii) investment properties which are not used in generating income and/or cash flows for the construction business (“**Investment Properties**”). The SOPV represents the aggregate valuation of these components which shall be valued based on the respective appropriate valuation methods as follows:-

<u>Business segment / Asset</u>	<u>Valuation method</u>
(1) Construction business	Discounted cash flow (“DCF”)
(2) Investment Properties	NA

We view the SOPV model to be the most appropriate method to estimate the value of Rantau for the following reasons:-

**(1) Construction business**

We view the DCF valuation model as the most appropriate method to estimate the value of Rantau’s construction business as the method is able to effectively factor in the earnings and cash flows potential of the business as well as the timing of such cash flows to be generated. The DCF valuation model considers both the time value of money and the future cash flows to be generated by the construction business over a specified period of time. As the methodology entails the discounting of the future cash flows to be generated from the construction business at a specified discount rate to arrive at its value, the riskiness of generating such cash flows will also be taken into consideration.

Under the DCF valuation method, the free cash flows to equity (“**FCFE**”) projected to be generated from the construction business is discounted at an appropriate cost of equity to reflect the rate of return required by shareholders to derive the present value of all future cash flows from Rantau’s construction business. For the purpose of this valuation, we have been instructed by the management of DBE to only consider Rantau’s financial position and outstanding orderbook of approximately RM1.17 billion as at 31 December 2019, without taking into consideration any potential future construction contracts from the Blossom Group or any third parties. By considering only outstanding orderbook as at 31 December 2019, this valuation approach is more prudent as only secured construction contracts (*resulting in higher certainty in terms of projected future cash flows*) are included in the valuation of Rantau’s construction business.

We have reviewed the future financial information of the construction business for the FYE 31 December 2020 to the FYE 31 December 2025 (“**Future Financials**”), which was prepared by the management of Rantau based on estimates on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Future Financials and we are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Future Financials (*together with the bases and assumptions adopted therein*) have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Future Financials are as follows:-

- (i) Rantau will continue to operate on a going concern basis and is expected to sustain its operations until the full realisation of cash flows arising from the outstanding orderbook as at 31 December 2019 i.e. up to the FYE 31 December 2025;
- (ii) the construction contracts will be completed and the cash flows arising from the outstanding orderbook as at 31 December 2019 will be fully realised as forecasted by the management within the projected time frame;
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of Rantau. The increase in operating costs is assumed to be in tandem with sales and/or inflationary effects;
- (iv) there will not be any major disruptions to the business operations which may have a material adverse effect on the financial results, cash flows or business prospects of Rantau, whether due to the COVID-19 outbreak or otherwise. As set out in Section 9.4, Part A of the Circular, the impact arising from the MCO, CMCO and COVID-19 outbreak to the Target Companies (*including Rantau*) is expected to be minimal taking into consideration the resilience in the demand for affordable homes, sufficiency of demand and competitive advantage of Blossom Group's development projects (*in which Rantau is involved*);
- (v) there will not be any major capital expenditure to be incurred;
- (vi) sufficient funds will be available to finance the working capital requirements of Rantau without any material adverse effect on its financial results, cash flows or business prospects;
- (vii) there will not be any significant or material changes in the principal activities of Rantau;
- (viii) there will not be any significant or material changes to the agreements, contracts, approvals, licenses, permits and regulations governing the business activities and construction projects of Rantau in view that Rantau's current outstanding orderbook mainly comprises construction contracts awarded by the Blossom Group for its development projects;
- (ix) the current accounting policies adopted by Rantau will remain relevant and there will not be any significant changes in the accounting policies of Rantau which may have a material adverse effect on the financial performance and financial position of Rantau; and
- (x) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the construction industry in Malaysia subsequent to the LPD which may have a material adverse effect on the financial performance and financial position of Rantau.



In order to derive the value of Rantau's construction business, we have discounted the FCFE projected to be generated from the business at an appropriate cost of equity to reflect the rate of return required by shareholders for an investment in the construction business. Our valuation, together with the key bases and assumptions adopted, are as follows:-

No	Key bases and assumptions	Descriptions
(i)	FCFE Based on the Future Financials for the FYE 31 December 2020 to the FYE 31 December 2025	FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movements in working capital, net investing cash flows and net financing cash flows.  We have reviewed the key bases and assumptions adopted in the Future Financials prepared by the management of Rantau in deriving the FCFE and we are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.
(ii)	Cost of equity ("K <sub>e</sub> ")  7.84% to 7.92%  (based on the expected capital structure for the respective financial year)	Cost of equity represents the rate of return required by an investor on the cash flow streams generated by Rantau's construction business given the risks associated with the cash flows. In deriving the said cost of equity, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity ranging from 7.84% to 7.92% with the following inputs:-  $K_e = R_f + \beta (R_m - R_f)$  Although Rantau is not a listed entity, we have not applied any discount for lack of marketability or liquidity of Rantau Sale Shares in view that the nature and scale of operations (and accordingly, the marketability) of the construction business of Rantau is comparable to other construction companies listed on Bursa Securities.
(iii)	Risk-free rate of return ("R <sub>f</sub> ")  2.90%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities. As extracted from Bloomberg, the said yield is 2.90% per annum as at the LTD.
(iv)	Expected market rate of return ("R <sub>m</sub> ")  9.94%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.  In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.94% per annum for the past 10 years up to the LTD.

No	Key bases and assumptions	Descriptions								
(v)	<p>Beta ("β")</p> <p>0.702 to 0.713 (based on the expected capital structure for the respective financial year)</p>	<p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa.</p> <p>In deriving the estimated beta for Rantau's construction business, we have relied on the 3-year historical beta up to the LTD of companies listed on Bursa Securities which have a market capitalisation ranging from RM50.00 million to RM200.00 million and are principally involved in the construction industry, with more than 75% of their revenue being generated from construction business<sup>(1)</sup>. As the historical beta extracted from Bloomberg is based on the capital structure of the respective companies, we have un-levered the beta and re-levered the beta based on the expected capital structure of Rantau (with a debt to equity ratio ranging from nil to 0.021 times based on the Future Financials). Based on our computation, the re-levered beta of Rantau's construction business ranges from 0.702 to 0.713.</p> <p><u>Note:-</u> (1) The list of comparable companies and their principal activities (source: Bloomberg) are as follows:-</p> <table border="1" data-bbox="654 784 1157 1624"> <thead> <tr> <th data-bbox="654 784 686 918"><u>Company</u></th> <th data-bbox="654 918 686 1624"><u>Principal activities</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="686 784 718 918">TRC Synergy Berhad</td> <td data-bbox="686 918 718 1624">TRC Synergy Berhad is an investment holding company. Through its subsidiaries, the company operates as general contractors carrying out construction works, sells construction materials, and develops property. TRC Synergy Berhad also hires and services vehicles and manufactures concrete piles and ready-mixed concrete.</td> </tr> <tr> <td data-bbox="718 784 750 918">Pesona Metro Holdings Berhad</td> <td data-bbox="718 918 750 1624">Pesona Metro Holdings Berhad operates as a holding company. The company focuses on planning, designing, financing, and constructing public buildings and amenities, student hostels, laboratories, and infrastructure projects. Pesona Metro Holdings Berhad serves customers in Malaysia</td> </tr> <tr> <td data-bbox="750 784 782 918">TSR Capital Berhad</td> <td data-bbox="750 918 782 1624">TSR Capital Berhad is an investment holding company. The company, through its subsidiaries, operates construction and civil engineering works, geotechnical works, and building construction. TSR Capital Berhad also manufactures, markets, and trades precast concrete products</td> </tr> </tbody> </table>	<u>Company</u>	<u>Principal activities</u>	TRC Synergy Berhad	TRC Synergy Berhad is an investment holding company. Through its subsidiaries, the company operates as general contractors carrying out construction works, sells construction materials, and develops property. TRC Synergy Berhad also hires and services vehicles and manufactures concrete piles and ready-mixed concrete.	Pesona Metro Holdings Berhad	Pesona Metro Holdings Berhad operates as a holding company. The company focuses on planning, designing, financing, and constructing public buildings and amenities, student hostels, laboratories, and infrastructure projects. Pesona Metro Holdings Berhad serves customers in Malaysia	TSR Capital Berhad	TSR Capital Berhad is an investment holding company. The company, through its subsidiaries, operates construction and civil engineering works, geotechnical works, and building construction. TSR Capital Berhad also manufactures, markets, and trades precast concrete products
<u>Company</u>	<u>Principal activities</u>									
TRC Synergy Berhad	TRC Synergy Berhad is an investment holding company. Through its subsidiaries, the company operates as general contractors carrying out construction works, sells construction materials, and develops property. TRC Synergy Berhad also hires and services vehicles and manufactures concrete piles and ready-mixed concrete.									
Pesona Metro Holdings Berhad	Pesona Metro Holdings Berhad operates as a holding company. The company focuses on planning, designing, financing, and constructing public buildings and amenities, student hostels, laboratories, and infrastructure projects. Pesona Metro Holdings Berhad serves customers in Malaysia									
TSR Capital Berhad	TSR Capital Berhad is an investment holding company. The company, through its subsidiaries, operates construction and civil engineering works, geotechnical works, and building construction. TSR Capital Berhad also manufactures, markets, and trades precast concrete products									

No	Key bases and assumptions	Descriptions
		<p><b>Company</b></p> <p>Ireka Corporation Berhad</p> <p><b>Principal activities</b></p> <p>Ireka Corporation Berhad is an investment holding company which provides civil, structural, and building construction. The company, through its subsidiaries, also provides earthworks and leases construction plant and machinery. Ireka Corporation Berhad also operates online international auction trade and provides venture capital fund to internet, e-commerce, and related technology based companies</p> <p>Melati Ehsan Holdings Berhad</p> <p>Melati Ehsan Holdings Berhad and its subsidiaries provide construction management for design and build and turnkey construction from conceptualising to design, execution, maintenance and financing of projects. The group also undertakes residential development schemes</p> <p>Nevertheless, we wish to highlight that there is no company listed on Bursa Securities which is identical to Rantau's construction business. Whilst we noted that the companies may have different business models and offer different services, we view that the identified companies are adequately comparable to Rantau's construction business and are reasonable to be adopted for the purposes of deriving the estimated beta of the industry.</p>
(vi)	Statutory corporate income tax rate	24%
Value of Rantau's construction business		<p>The Malaysian statutory corporate income tax rate applicable to Rantau is 24%.</p> <p>The formula used to derive the value of Rantau's construction business is as follows:-</p> $\frac{\text{Value of Rantau's construction business}}{\text{Present value of projected FCFE based on the Future Financials}} = \frac{\text{FCFE}}{(1 + K_e)^n}$ <p>whereby, n represents time in number of years into the future.</p>

(2) **Investment Properties**

The Investment Properties comprise 5 units of completed double-storey shop office located in Bandar Seri Iskandar, District of Perak Tengah, Perak. As the Investment Properties are not used in generating income and/or cash flows for the construction business of Rantau, we have assessed the value of these properties separately.

We have adopted the carrying amount of the Investment Properties (after depreciation) as at 31 December 2019 of RM3.57 million as the value of the Investment Properties. This is premised upon that the Investment Properties were recently acquired by Rantau on 3 May 2019 for a purchase consideration of RM3.61 million and hence, any resulting outcome from revaluation of the Investment Properties is not expected to have a material impact to the estimated SOPV of Rantau.

Description and location of subject property	Type of property	Date of acquisition	NBV as at 31.12.2019 (RM'000)	Built-up area (sgm)	Tenure of land
<b>5 units of completed double-storey shop office classified under investment properties</b>					
(1) No. 6, Persiaran Seri Iskandar 4, Seri Iskandar Prima, 32610 Bandar Seri Iskandar, Perak (erected on Lot 15767 held under PN398165)	Double-storey shop office	3-May-19	592	260	
(2) No. 5, Persiaran Seri Iskandar 4, Seri Iskandar Prima, 32610 Bandar Seri Iskandar, Perak (erected on Lot 15768 held under PN398166)		3-May-19	592	260	
(3) No. 4, Persiaran Seri Iskandar 4, Seri Iskandar Prima, 32610 Bandar Seri Iskandar, Perak (erected on Lot 15769 held under PN398141)		3-May-19	592	260	Leasehold (99 years expiring on 10.08.2113)
(4) No. 3, Persiaran Seri Iskandar 4, Seri Iskandar Prima, 32610 Bandar Seri Iskandar, Perak (erected on Lot 15770 held under PN398143)		3-May-19	592	260	
(5) No. 2, Persiaran Seri Iskandar 4, Seri Iskandar Prima, 32610 Bandar Seri Iskandar, Perak (erected on Lot 15771 held under PN398146)		3-May-19	1,206	464	
<b>Total</b>			<b>3,574</b>	<b>1,504</b>	

### (3) SOPV of Rantau

Based on the SOPV model, we have derived an estimated value for the entire equity interest in Rantau of RM154.04 million:-

Business segment / Asset	Workings	Valuation method	Value (RM'million)
Value of the:-			
(i) Construction business	(1)	DCF	150.47
(ii) Investment Properties	(2)	NA	3.57
<b>Estimated value of Rantau</b>	<b>(1) + (2)</b>	<b>SOPV</b>	<b>154.04</b>

As the Rantau Purchase Consideration of RM148.27 million is **lower than** and represents a **discount** of approximately 3.75% to the estimated SOPV of Rantau of RM154.04 million, we view the Rantau Purchase Consideration to be justifiable. In addition, we view the settlement of Rantau Related Party Advances (*which is based on outstanding loans or advances already currently owing by Rantau to DDJM, DDTL and DDJC and their related parties and persons connected with them, which shall be assumed by DBE upon completion of the Proposed Rantau Acquisition*) to be justifiable.

### (C) Evaluation of the Yik Wang Purchase Consideration

As set out in Section 2.3.1, Part A of the Circular, the Yik Wang Purchase Consideration is computed based on (i) the Profit Guarantee of a cumulative PAT of RM10.00 million in the Guaranteed Years, which translates to an average annual PAT of RM5.00 million ("**Average Profit Guarantee**") and (ii) an agreed PER of 6.50 times over the Average Profit Guarantee.

In the event that:-

- (a) the Profit Guarantee is achieved, the Yik Wang Purchase Consideration shall be RM32.50 million, which represents a PER of 6.50 times over the Average Profit Guarantee; or
- (b) the Profit Guarantee is not achieved, the Yik Wang Purchase Consideration shall be RM17.06 million, which represents a PER of 6.50 times over the audited PAT of Yik Wang for the FYE 31 December 2019 of approximately RM2.62 million.

In evaluating the Yik Wang Purchase Consideration, we have adopted the comparable company analysis, which is a method used to evaluate the value of a company by comparing its implied valuation multiples (*being PER of 6.50 times for the Proposed Yik Wang Acquisition*) against the trading multiples of listed companies which are broadly comparable to the company concerned.

We view that the comparable company analysis is an appropriate valuation method to evaluate the Yik Wang Purchase Consideration based on the following considerations:-

- (i) Yik Wang is a company carrying on the business as a general trader of building materials and hardware. Being in this business, the valuation of Yik Wang is largely driven by its ability to compete effectively with a pool of other general traders within the industry in procuring sufficient supply of building materials at reasonable prices;

- (ii) the Yik Wang Purchase Consideration is based on an agreed PER of 6.50 times over the Average Profit Guarantee (*if the Profit Guarantee is achieved*) or the audited PAT of Yik Wang for the FYE 31 December 2019 (*if the Profit Guarantee is not achieved*);
- (iii) the trading business of Yik Wang does not involve substantial investments in tangible assets; and
- (iv) information relating to building materials trading companies listed on Bursa Securities to be adopted as Yik Wang's comparable companies ("**Comparable Companies**") is readily available.

For the purpose of our comparable company analysis, we have selected the Comparable Companies which are broadly comparable to Yik Wang based on the following parameters:-

- (i) listed on Bursa Securities, with a market capitalisation of below RM100.00 million as at the LTD; and
- (ii) primarily involved in the trading of building materials, which shall contribute at least 75% to its total revenue for the latest audited financial year.

We wish to highlight that there are no companies listed on Bursa Securities which are identical or directly comparable to Yik Wang in terms of, amongst others, composition of business activities, geographical area, scale of operations, track record, financial performance, risk profile, future prospects, accounting policies and standards, operating environments, business models, tax treatments and other possible unique characteristics of the companies. Accordingly, the Comparable Companies are selected based on a best-effort basis.

Notwithstanding the above, we view that the Comparable Companies are adequately comparable to Yik Wang's trading business and are appropriate and reasonable to be adopted for the purposes of deriving an indicative valuation in order to evaluate the Yik Wang Purchase Consideration.

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The selected Comparable Companies and their PER are as follows:-

Comparable Companies	Principal activities	Contribution from trading of building materials to total revenue for the latest financial year (%)	Market capitalisation as at the LTD (RM'000)	PAT attributable to owners of the company for trailing 12-month up to the LTD (RM'000)	PER (times)
AYS Ventures Berhad	AYS Ventures Berhad is an investment holding company. The company's subsidiaries are principally involved in the business of trading and manufacturing of engineering steel products and building materials	89	98,909	-(1)	-(1)
Lion Posim Berhad (formerly known as Lion Forest Industries Berhad)	Lion Posim Berhad distributes building materials. The company serves customers in Malaysia	80	91,131	10,733	8.49
KPS Consortium Berhad	KPS Consortium Berhad is an investment holding company. Through its subsidiaries, the company manufactures and trades paper products, provides management services, and trades stationery and general household products. KPS Consortium Berhad also distributes wooden doors, plywood and manufactures timber doors.	78	68,000	6,489	10.48
Chuan Huat Resources Berhad	Chuan Huat Resources Berhad is an investment holding company. The company, through its subsidiaries, manufactures and fabricates steel building frames, bars, wires and coils, and building materials. Chuan Huat Resources Berhad also manufactures, retails, and supplies audio and video CDs, CD ROMs, diskettes, and other multimedia products, as well as trades information technology related products	92	60,721	-(1)	-(1)

Comparable Companies	Principal activities	Contribution from trading of building materials to total revenue for the latest financial year (%)	Market capitalisation as at the LTD (RM'000)	PAT attributable to owners of the company for trailing 12-month up to the LTD (RM'000)	PER (times)
Ipmuda Berhad	Ipmuda Berhad is a trading agency dealing in building materials. The company, through its subsidiaries, supplies and installs home fittings, trades in heavy steel products, leases properties, and provides warehousing services. Ipmuda Berhad also manufactures and sells locks and hinges, develops properties, provides money lending services, and retails building materials	96	22,828	-(1)	-(1)
Grand Hoover Berhad	Grand Hoover Berhad is a property and investment holding company. The company, through its subsidiaries, sells and markets building-related material, develops land into residential buildings. The company provides building, civil engineering, tiling, construction and structural works contracts, and investment services	99	16,000	-(1)	-(1)
High					10.48
Low					8.49
Simple average					9.49
After adjusting for a 30% discount for lack of marketability and liquidity of Yik Wang Sale Shares <sup>(2)</sup>					7.34
Adjusted high					5.94
Adjusted low					6.64
Adjusted simple average					

(Sources: Bloomberg, latest audited consolidated financial statements of the respective Comparable Companies and announcements on Bursa Securities)

Notes:-

(1) Not applicable as the company is loss-making.

(2) Based on a study conducted by Aswath Damodaran (a Professor of Finance at the Stern School of Business at New York University) titled "Marketability and Value: Measuring the Illiquidity Discount", investors are generally willing to pay higher prices for more liquid assets than for otherwise similar illiquid assets. However, measuring such illiquidity discount or discount for lack of marketability is highly subjective. Based on the study, it is noted that private companies were acquired at multiples about 20% to 30% lower than those paid for publicly traded firms and the discount was larger (40% to 50%) for foreign private firms. Accordingly, we view that it is reasonable to apply a discount for lack of marketability of 30% for the Yik Wang Sale Shares.



As the Yik Wang Purchase Consideration of up to RM32.50 million is computed based on an agreed PER of 6.50 times (which is **lower than** the simple average PER of the Comparable Companies of 6.64 times, after adjusting for a 30% discount for lack of marketability and liquidity of Yik Wang Sale Shares), we view the Yik Wang Purchase Consideration to be justifiable. In addition, we view the settlement of Yik Wang Related Party Advances (which is based on outstanding loans or advances already currently owing by Yik Wang to DDJM, DDTL, DDJC, DDNC and DLHK and their related parties and persons connected with them, which shall be assumed by DBE upon completion of the Proposed Yik Wang Acquisition) to be justifiable.

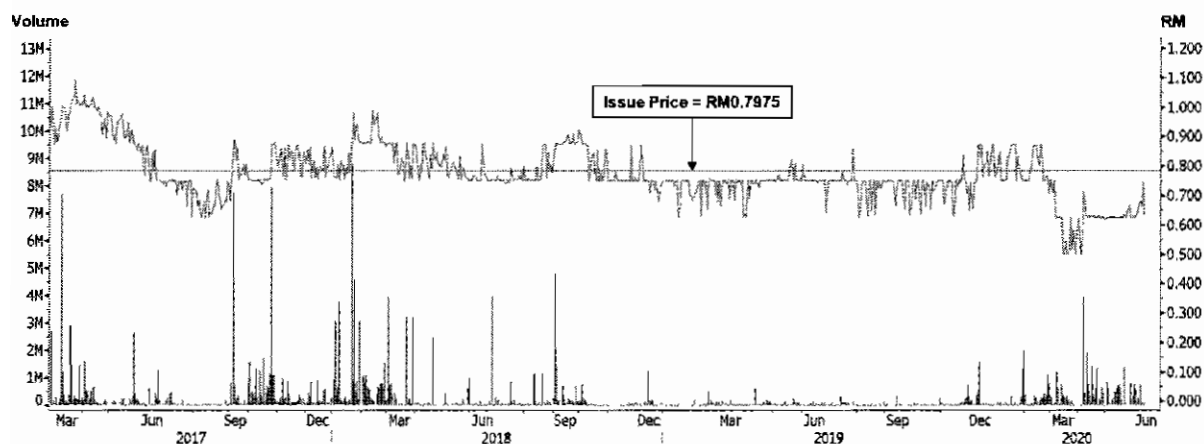
### 3.3 Basis and justification in arriving at the issue price of the Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of Consideration RCPS

In evaluating the Issue Price (which is also the conversion price of Consideration RCPS as each Consideration RCPS is convertible into 1 DBE Share), we have considered the following:-

**(Note: For the purpose of our analysis in this section, the market prices of DBE Shares have been adjusted for the Proposed Share Consolidation)**

#### (i) Historical market price performance of the DBE Shares

The graph below sets out the historical daily VWAPs of the DBE Shares for the past 3 years prior to the LTD and up to the LPD:-



(Source: Bloomberg)

During the recent 1-year period prior to the LTD and up to the LPD, the DBE Group has undertaken the diversification of its business to include property development and construction (which was approved by the Shareholders on 16 April 2018) and the disposal of the Group's poultry-related companies (which was deemed completed on 31 December 2019).

Save for the abovementioned, the principal activities of the DBE Group have remained unchanged for the past 3 years prior to the LTD and up to the LPD.

Accordingly, the historical market prices of the DBE Shares for the recent 1-year period prior to the LTD and up to the LPD would serve as a more meaningful reference of the market prices of the DBE Shares to be used as part of our evaluation of the Issue Price. This is premised upon that such historical market prices would reflect the more recent market prices of DBE Shares at which any shareholders or potential shareholders would be able to acquire from the open market.

Based on the graph above, the Issue Price is **higher than** the daily VWAPs of the DBE Shares for approximately 89% of the total market days (*with trading volume*) for the past 1 year prior to the LTD and up to the LPD.

The monthly highest and lowest traded market prices of DBE Shares for the past 12 months up to May 2020 (*being the last full trading month prior to the LPD*) are as follows:-

	High (RM)	Low (RM)
<b>2019</b>		
June	0.875	0.625
July	0.875	0.625
August	0.750	0.625
September	0.750	0.625
October	0.750	0.625
November	0.875	0.625
December	0.875	0.625
<b>2020</b>		
January	0.875	0.750
February	0.875	0.625
March	0.750	0.500
April	0.750	0.500
May	0.750	0.500

(Source: Bloomberg)

Based on the table above, the monthly highest and lowest traded market prices of DBE Shares for the past 12 months up to May 2020 are RM0.875 and RM0.500 respectively.

Further, the Issue Price of RM0.7975 is yielding the following premium to the historical closing market prices / VWAPs of the DBE Shares:-

	Premium of the Issue Price to the historical closing market prices / VWAPs of the DBE Shares		
	Closing market prices / VWAPs (RM)	(RM)	(%)
<b>Up to the LTD:- (25 February 2020)</b>			
Last traded market price	0.7500	0.0475	6.33
5-day VWAP	0.7900	0.0075	0.95
1-month VWAP	0.7775	0.0200	2.57
3-month VWAP	0.7875	0.0100	1.27
6-month VWAP	0.7825	0.0150	1.92
1-year VWAP	0.7725	0.0250	3.24
<b>Up to the LPD:- (12 June 2020)</b>			
Last traded market price	0.7500	0.0475	6.33
5-day VWAP	0.6725	0.1250	18.59

(Source: Bloomberg)

Based on the table above, the Issue Price represents:-

- (a) a premium of RM0.0475 (6.33%) and RM0.0475 (6.33%) over the last traded market price of the DBE Shares on the LTD and on the LPD respectively;
- (b) a premium of between RM0.0075 (0.95%) and RM0.0250 (3.24%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the DBE Shares up to the LTD; and
- (c) a premium of RM0.1250 (18.59%) over the 5-day VWAP of the DBE Shares up to the LPD.

(ii) Consolidated NA per DBE Share

The Issue Price of RM0.7975 represents a premium to the consolidated NA per DBE Share as follows:-

	<u>RM'000</u>
Audited consolidated NA of DBE as at 31 December 2019	62,877
Adjusted for the Completed Private Placement (159,000,000 new DBE Shares at an issue price of RM0.027 per DBE Share)	4,293
	<u>67,170</u>
No. of DBE Shares as at the LPD, after adjusting for the Proposed Share Consolidation ('000)	113,489
NA per share after adjusting for the Completed Private Placement and Proposed Share Consolidation (RM)	<u>0.5919</u>
Premium represented by the Issue Price:-	
• RM	0.2056
• %	34.74

Nonetheless, on the enlarged DBE Group basis, as set out in Section 10.4, Part A of the Circular, the audited NA per Share as at 31 December 2019 (after adjusting for the Completed Private Placement and Proposed Share Consolidation) will decrease from RM0.59 to RM0.49, mainly due to the full conversion of Consideration RCPS into new DBE Shares.

**Our commentaries:-**

Notwithstanding that the issuance of Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of Consideration RCPS will result in a dilution in the:-

- (i) percentage shareholdings of the non-interested Shareholders in DBE as set out in Section 3.5.2 of this IAL; and
- (ii) pro forma NA per Share as set out in Section 10.4, Part A of the Circular,

the non-interested Shareholders should also note that the Proposed Acquisitions are expected to contribute positively to the future earnings of the DBE Group arising from the earnings contribution from the Target Companies.

Based on the illustration set out in Section 10.3, Part A of the Circular, assuming the Proposals had been effected at the beginning of FYE 31 December 2019, the consolidated PAT of DBE for the FYE 31 December 2019 will increase from RM7.69 million (EPS: 6.78 sen, after adjusting for the Completed Private Placement and Proposed Share Consolidation) to RM123.60 million upon completion of the Proposals (EPS: 11.09 sen, upon full conversion of the Consideration RCPS into new DBE Shares).

Further, as a comparison to the historical market prices of the DBE Shares (being prices at which any willing buyers and willing sellers may transact the DBE Shares in the open market), the Issue Price:-

- (i) is **higher than** the daily VWAPs of the DBE Shares for approximately 89% of the total market days (with trading volume) for the past 1 year prior to the LTD and up to the LPD;
- (ii) represents a **premium** of RM0.0475 (6.33%) over the last traded market price of the DBE Shares on the LTD and a **premium** of between RM0.0075 (0.95%) and RM0.0250 (3.24%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the DBE Shares up to the LTD; and
- (iii) represents a **premium** of RM0.0475 (6.33%) over the last traded market price of the DBE Shares on the LPD and a **premium** of RM0.1250 (18.59%) over the 5-day VWAP of the DBE Shares up to the LPD.

In addition to the above, the benefits and advantages for the partial satisfaction of the purchase considerations in respect of the SSAs, Blossom Related Party Advances, Rantau Related Party Advances and Yik Wang Related Party Advances ("**Total Considerations**") via the issuance of Consideration Shares, Settlement Shares and Consideration RCPS are as follows:-

- (i) the Proposed Acquisitions are very significant acquisitions for the DBE Group in view that the Total Considerations of up to RM856.36 million are about 10.1 times to the market capitalisation of DBE of RM85.12 million as at the LTD (12.7 times to the consolidated NA of DBE of RM67.17 million based on the audited consolidated NA of DBE as at 31 December 2019 and after adjusting for the Completed Private Placement).

In view of the above and the funding requirements for working capital as well as any future investment opportunities of the enlarged DBE Group, DBE would not be able to rely solely on its cash reserves and/or bank borrowings to finance the Total Considerations and hence, this necessitates the issuance of Consideration Shares, Settlement Shares and Consideration RCPS as part of the mode of settlement for the Total Considerations.

For your information, the mode of settlement for the Total Considerations is summarised as follows (out of which RM150.00 million or at least 17.5% is intended to be financed by bank borrowings):-

Target Companies	Total Considerations (RM'000)	Mode of settlement			
		Consideration Shares (RM'000)	Settlement Shares (RM'000)	Consideration RCPS (RM'000)	Cash (RM'000)
(1) Blossom	up to 664,347	71,383 <sup>(1)</sup>	21,801 <sup>(2)</sup>	up to 571,163 <sup>(3)</sup>	-
(2) Rantau	159,379	-	11,109 <sup>(4)</sup>	-	148,270
(3) Yik Wang	up to 32,630	15,332 <sup>(5)</sup>	-	-	up to 17,298
<b>Total</b>	<b>up to 856,356</b>	<b>86,715</b>	<b>32,910</b>	<b>up to 571,163</b>	<b>up to 165,568</b>

Notes:-

- (1) Consisting of 89,508,542 Consideration Shares to be issued at the Issue Price.
- (2) Consisting of 27,336,272 Settlement Shares to be issued at the Issue Price.
- (3) Consisting of up to 716,192,288 Consideration RCPS to be issued at the Issue Price (inclusive of 76,550,572 Retention RCPS to be issued at the Issue Price amounting to RM61,049,081).
- (4) Consisting of 13,929,865 Settlement Shares to be issued at the Issue Price.
- (5) Consisting of 19,225,322 Consideration Shares to be issued at the Issue Price.

For information purposes, any loans or advances provided to or by the Target Companies after 31 December 2019 shall be fully satisfied in cash on or prior to the completion of the respective SSAs. As at the LPD:-

- (a) the Blossom Related Party Advances amounts to RM22.31 million;
  - (b) the Rantau Related Party Advances amounts to RM9.71 million; and
  - (c) the Yik Wang Related Party Advances amounts to RM81,480;
- (ii) in view of the large financial commitment required to fund the cash outlay for the Total Considerations, an equity fund raising exercise such as rights issue may place a financial burden to the existing Shareholders and may not proceed if the minimum subscription level for the rights shares is not achieved.

Further, such equity fund raising exercise is usually implemented with a discount to the prevailing market prices of DBE Shares (*as opposed to the Issue Price which is at a premium over prevailing market prices*). The issuance of new DBE Shares at a discount to its prevailing market prices will entail issuance of a larger number of DBE Shares. Additionally, a rights issue typically requires major shareholders' undertaking to subscribe for the shares.

Accordingly, in the event that there is low subscription rate for the rights issue (*especially for a rights issue of a large quantum and in the current economic and market conditions*), the major shareholders (*by virtue of their undertaking*) will be subscribing for new DBE Shares at a price lower than the Issue Price. While a rights issue is intended to provide an equal opportunity to all shareholders of DBE to participate in the issuance of new DBE Shares, a low subscription rate will however result in a greater dilution in the existing shareholdings of the non-interested Shareholders in DBE who do not participate in the rights issue and also further dilute the Company's public shareholding spread and liquidity;

- (iii) the issuance of Consideration RCPS enables the Company to complete the Proposed Acquisitions whilst:-
- (a) maintaining the required public shareholding spread of 25% of its total listed shares, pursuant to the Public Spread Requirement. Further, the Company has obtained the RCPS Undertaking from the Vendors for the purposes of ensuring compliance with the Public Spread Requirement in the event of conversion of the Consideration RCPS;
  - (b) reducing any immediate dilution impact as the Consideration RCPS is expected to be converted into new DBE Shares on a progressive basis throughout its 8-year tenure;
  - (c) minimising financial burden to the Group as compared to servicing of interest and principal repayments for bank borrowings;

- (d) (i) providing flexibility for DBE to manage its share base via the option to redeem the Consideration RCPS, in whole or in part, throughout its 8-year tenure; or
- (ii) alternatively, increasing the equity base of DBE upon any conversion of the Consideration RCPS by the holders throughout its 8-year tenure or upon automatic conversion of any outstanding Consideration RCPS into new DBE Shares at its maturity.

*(see Section 3.4(B) of this IAL for further details); and*

- (iv) in addition, the issuance of Consideration Shares, Settlement Shares and Consideration RCPS provides an opportunity to the PAC Group to participate further in the potential future growth of the enlarged DBE Group as its shareholders, having common interests to contribute towards the improvement of the enlarged DBE Group's financial performance. The increased participation of the PAC Group in DBE reaffirms its commitment to the enlarged DBE Group and that it is not the PAC Group's intention to monetise the investments in the Target Companies. This allows the Group to continue leveraging on the experience and network of the PAC Group in managing and growing property development and related businesses of the enlarged Group. For information purposes, each of DDJM, DDTL and DDJC has more than 17 years of experience in property development and related businesses.

Based on our evaluation on a holistic basis, we view the issuance of the Consideration Shares, Settlement Shares, Consideration RCPS and new DBE Shares to be issued upon conversion of Consideration RCPS at the Issue Price as justifiable and not detrimental to the interests of the non-interested Shareholders.

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3.4 Saliient terms of the SSAs and Consideration RCPS

(A) SSAs

Our commentaries on the salient terms of the SSAs as set out in Appendix II of the Circular are as follows:-

Saliient terms of the SSAs	Our commentaries
<p>(i) Due diligence exercise</p> <p>(a) DBE shall, forthwith after the execution of the SSAs, embark on the due diligence exercise at its own costs and expenses whereby DBE shall examine and verify the legal affairs, share capital and structure (<i>including rights to cumulative dividends</i>), financial affairs, business, assets, liabilities (<i>including actual and contingent liabilities</i>), commitments, contracts and other affairs of Blossom, Rantau and Yik Wang respectively as may be reasonably required by DBE and the Vendors shall:-</p> <p>(1) extend all reasonable assistance to cooperate with and assist DBE in carrying out the due diligence; and</p> <p>(2) procure that DBE and its agents, representatives, accountants and solicitors are given on request all such facilities, access and information regarding the business, assets, liabilities, licences, documents of title and other evidence of ownership of assets, contracts and affairs of Blossom, Rantau and Yik Wang respectively as may be required for the purposes of the due diligence.</p> <p>(b) The Vendors must procure that representatives of DBE and/or any of its authorised agents are allowed access to the premises of Blossom, Rantau and Yik Wang respectively and the employees and agents of Blossom, Rantau and Yik Wang respectively shall allow access to such premises during the usual business hours of Blossom, Rantau and Yik Wang respectively for the purpose of the due diligence.</p>	<p><b>Usual and customary.</b> The due diligence exercise safeguards the interests of the Company by allowing the necessary verification exercises to be conducted on the Target Companies.</p> <p>If the Company is not satisfied in respect of any part of the results of the due diligence exercise, it may terminate the SSAs without any recourse to all parties to the SSAs.</p>

Salient terms of the SSAs	Our commentaries
<p>(ii) <b>Conditions precedent</b></p> <p>The obligations of the parties set out in the SSAs are conditional upon the following conditions precedent being obtained / fulfilled or waived (<i>as the case may be</i>) within SSA Cut-Off Date:-</p> <p>(a) the completion of the due diligence exercises conducted on Blossom, Rantau and Yik Wang and the results thereof being reasonably satisfactory to DBE;</p> <p>(b) DBE applying for and obtaining the approval of the Shareholders at an EGM to be convened for amongst others, the Proposed Acquisitions, the Proposed Amendments, the Proposed Exemption, the Proposed Share Consolidation and the Proposed Private Placement;</p> <p>(c) the Vendors applying for and obtaining the approval of the SC in respect of the Proposed Exemption;</p> <p>(d) DBE applying for and obtaining the approval of Bursa Securities for the listing of and quotation for new DBE Shares to be issued pursuant to the Proposed Acquisitions, including the Consideration Shares, the Settlement Shares, the new DBE Shares arising from the conversion of the Consideration RCPS and the Placement Shares on the Main Market of Bursa Securities, where required;</p> <p>(e) DBE applying for and obtaining the approval of Bursa Securities in respect of the Proposed Share Consolidation;</p> <p>(f) the Vendors applying for and obtaining the approval or consent of the financiers / creditors of Blossom, Rantau and Yik Wang respectively for, <i>inter alia</i>, the sale and transfer of the Blossom Sale Shares, the Rantau Sale Shares and the Yik Wang Sale Shares respectively in favour of DBE, upon the terms and subject to the conditions of the SSAs, where required;</p> <p>(g) the Vendors applying for and obtaining the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving Blossom, Rantau and Yik Wang respectively, where required, in each case to the extent that the same remain to be completed or performed or remain in force;</p>	<p><b>Usual and customary.</b> The conditions precedent represent necessary approvals / procedures which are customary to facilitate the completion of the Proposed Acquisitions.</p> <p>The SSAs will become unconditional if the conditions precedent are obtained / fulfilled or waived (<i>as the case may be</i>) by the SSA Cut-Off Date.</p> <p>As at the LPD, the Proposed Acquisitions are still subject to the fulfillment and/or waiver of all the conditions precedent, except that:-</p> <p>(1) based on the due diligence exercise carried out on the Target Companies up to 31 May 2020, there have been no material adverse findings noted and as such, this condition has been deemed as met; and</p> <p>(2) Bursa Securities had, vide its letter dated 29 May 2020, approved (i) the Proposed Share Consolidation and (ii) the listing of and quotation for the Consideration Shares, the Settlement Shares, the new DBE Shares arising from the conversion of the Consideration RCPS and the Placement Shares on the Main Market of Bursa Securities.</p> <p>The said approval from Bursa Securities is subject to the conditions set out in Section 13, Part A of the Circular.</p>



Salient terms of the SSAs	Our commentaries
<p>(h) all conditions precedent as stipulated in the respective SSAs having been fulfilled or obtained in accordance with the terms and conditions contained in the SSAs;</p> <p>(i) DBE applying for and obtaining the amendments of the constitution / articles of association of DBE to incorporate the terms of the SSAs and the rights, privileges and restrictions of the Consideration RCPS as set out in Appendix III of the Circular and the lodgement of the requisite forms with the Registrar of Companies in relation to such amendments of the constitution / articles of association of DBE, where required;</p> <p>(j) DBE being satisfied that no force majeure event has occurred; and</p> <p>(k) any other approvals, waivers or consents of any authorities or parties as may be required by law or regulation or deemed necessary by the parties.</p>	<p>Please refer to our commentaries above.</p>
<p>(iii) <b>Termination in the event any conditions precedent is not fulfilled</b></p> <p>If:-</p> <p>(a) on the expiry of a SSA Cut-Off Date, any of the conditions precedent shall 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 a SSA Cut-Off Date, any of the conditions precedent have not been obtained or fulfilled or waived (<i>as the case may be</i>);</p> <p>(c) at any time prior to the expiry of a SSA Cut-Off Date, any of the conditions precedent shall have been granted subject to terms and conditions which are not acceptable to DBE being terms and conditions which affect DBE, and further representations to the relevant authorities or persons to vary such terms and conditions have not been successful, and DBE is not willing to accept such terms and conditions then imposed by the relevant authorities or persons; or</p> <p>(d) at any time prior to the expiry of a SSA Cut-Off Date, DBE has notified the Vendors in writing that it is not satisfied in respect of any part of the results of the due diligence exercise,</p>	<p><b>Usual and customary.</b> If any of the conditions precedent is not obtained or fulfilled or waived (<i>as the case may be</i>) by the SSA Cut-Off Date, either party may terminate the respective SSAs without any recourse to all parties to the SSAs.</p>

<b>Salient terms of the SSAs</b>	<b>Our commentaries</b>
<p>then any party shall be entitled to terminate the respective SSAs by giving notice in writing to the other party, whereupon the parties shall not have any further rights under the respective SSAs except in respect of:-</p> <p>(1) any obligation under the SSAs respectively which is expressed to apply after the termination of the SSAs respectively; and</p> <p>(2) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSAs respectively to either party prior to such termination.</p>	<p>Please refer to our commentaries above.</p>
<p><b>(iv) Conditions of the properties</b></p> <p>DBE agrees that in respect of the properties held by the Blossom Group, Rantau and Yik Wang respectively, such properties shall be acquired and delivered subject to all restrictions in interest and conditions of title and on an "as is where is" basis.</p>	<p><b>Usual and customary.</b> This clause is a normal commercial term whereby the properties shall be acquired subject to all restrictions in interest and conditions of title and on an "as is where is" basis.</p>
<p><b>(v) Purchase consideration</b></p> <p><b>In respect of the Blossom SSA</b></p> <p>(a) The Blossom Purchase Consideration shall be satisfied by DBE in the following manner:-</p> <p>(1) By DBE:-</p> <p>(A) allotting and issuing the 89,508,542 Consideration Shares to Lagenda at the Issue Price on the Blossom Completion Date; and</p> <p>(B) allotting and issuing the 639,641,716 Consideration RCPS to Lagenda at the Issue Price on the Blossom Completion Date;</p>	<p><b><u>In respect of the Blossom SSA</u></b></p> <p><b>Justifiable.</b></p> <p><b><u>Blossom Purchase Consideration and mode of settlement</u></b></p> <p>Please refer to our evaluation on:-</p> <p>(i) the Blossom Purchase Consideration of approximately up to RM642.55 million in Section 3.2(A) of this IAL;</p> <p>(ii) the Issue Price of RM0.7975 in Section 3.3 of this IAL; and</p> <p>(iii) the salient terms of the Consideration RCPS in Section 3.4(B) of this IAL.</p> <p>In addition, the full satisfaction of the Blossom Purchase Consideration via the issuance of 89,508,542 Consideration Shares and up to 716,192,288 Consideration RCPS at the Issue Price has its benefits and advantages as set out in Section 3.3 of this IAL.</p>

Salient terms of the SSAs	Our commentaries
<p>(2) By DBE allotting and issuing 3,559,529 Consideration RCPS to Lagenda at the Issue Price, within 30 business days from the Blossom Completion Date or the date of completion of the sale and purchase of 4 plots of agricultural lands forming part of the Phase 1 of the Teluk Intan Land whichever is later, provided that the sale and purchase of the aforesaid land is completed in accordance with the terms and conditions of the Teluk Intan SPA within one year from the Blossom Completion Date;</p> <p>(3) By DBE allotting and issuing 42,360,247 Consideration RCPS to Lagenda at the Issue Price, within 30 business days from the Blossom Completion Date or the date of completion of the sale and purchase of the Phase 2 of the Teluk Intan Land whichever is later, provided that the sale and purchase of the aforesaid land is completed in accordance with the terms and conditions of the Teluk Intan SPA within one year from the Blossom Completion Date; and</p> <p>(4) By DBE allotting and issuing 30,630,796 Consideration RCPS to Lagenda at the Issue Price, within 30 business days from the Blossom Completion Date or the date of completion of the sale and purchase of Phase 3a of the Teluk Intan Land whichever is later, provided that the sale and purchase of the aforesaid land is completed in accordance with the terms and conditions of the Teluk Intan SPA within one year from the Blossom Completion Date.</p> <p>(b) In the event that the open market value of the properties held by the Blossom Group (<i>which constitutes a computation item to the sale and purchase consideration</i>) shall be varied / adjusted pursuant to any comments provided by the relevant authorities on the respective valuation reports, the relevant computation item shall be adjusted accordingly ("<b>Adjustment</b>"). The Blossom Purchase Consideration and the aggregate nominal value of the Consideration RCPS and the Consideration Shares to be allotted and issued by DBE to Doh Properties pursuant to the terms of the Blossom SSA, shall be deemed to be the sum as adjusted in accordance with this paragraph, provided always that the Adjustment pursuant to this provision shall amount to a sum of more than 1% of the Blossom Purchase Consideration.</p> <p>(c) Notwithstanding the foregoing provisions and any other provision of the Blossom SSA, if the Adjustment pursuant to the foregoing provisions shall amount to more than 10% of the Blossom Purchase Consideration, either party of the Blossom SSA shall be entitled to give notice to the other party immediately terminating the Blossom SSA.</p>	<p><u>Retention RCPS</u></p> <p>Furthermore, up to 76,550,572 of the Consideration RCPS (<i>being the Retention RCPS</i>) shall only be allotted and issued to Lagenda at the Issue Price, within 30 business days from:-</p> <p>(i) the Blossom Completion Date; or</p> <p>(ii) the date of completion of the sale and purchase of the respective Uncompleted Portion of Teluk Intan Land,</p> <p>whichever is later and provided that such sale and purchase of the aforesaid land is completed in accordance with the terms and conditions of the Teluk Intan SPA within 1 year from the Blossom Completion Date.</p> <p>In the event the said sale and purchase of the respective Uncompleted Portion of Teluk Intan Land is not completed within 1 year from the Blossom Completion Date, the Retention RCPS will not be allotted and issued to Lagenda in respect of the affected Uncompleted Portion of Teluk Intan Land.</p> <p>This clause serves to safeguard the interests of DBE in view that the Retention RCPS (<i>which amounts to the net revaluation surplus arising from the respective Uncompleted Portion of Teluk Intan Land</i>) will only be allotted and issued to Lagenda after the completion of (i) Blossom SSA and (ii) sale and purchase of the respective Uncompleted Portion of Teluk Intan Land, upon which the DBE Group shall be the beneficial owner of the said land.</p>

**Salient terms of the SSAs**

**Our commentaries**

Variation / Adjustment to market value of Blossom Group Properties

The Adjustment clause safeguards the interests of both DBE (*purchaser*) and Doh Properties (*vendor*) in the event of a variation / adjustment to the market value of the Blossom Group Properties, as follows:-

Variation / Adjustment to the market value of the Blossom Group Properties	Adjustment
1% or less	There will be no adjustment to the Blossom Purchase Consideration
More than 1% but not more than 10%	The Blossom Purchase Consideration will be adjusted upwards or downwards by the quantum of variation / adjustment
More than 10%	Either party of the Blossom SSA shall be entitled to terminate the Blossom SSA

Since the date of the Blossom SSA and up to the LPD, no variation / adjustment has been made to the market value of the Blossom Group Properties.

Salient terms of the SSAs	Our commentaries
<p><b>In respect of the Yik Wang SSA</b></p> <p>(a) The Yik Wang Purchase Consideration shall be satisfied by DBE in the following manner:-</p> <p>(1) By DBE:-</p> <p>(A) paying the Yik Wang Tranche 1 Cash Consideration to Lagenda on the Yik Wang Completion Date; and</p> <p>(B) allotting and issuing the 19,225,322 Consideration Shares to Lagenda at the Issue Price on the Yik Wang Completion Date;</p> <p>(2) By DBE, within 15 business days from the date of approval of the special audit certificate issued by the auditor of Yik Wang or, at the option of DBE, any reputable accounting firm in Malaysia selected by DBE, by the Board in respect of confirming the cumulative PAT of Yik Wang for the Guaranteed Years and subject to Yik Wang having achieved the Profit Guarantee, paying the Yik Wang Tranche 2 Payment to Lagenda.</p>	<p><b>In respect of the Yik Wang SSA</b></p> <p><b>Justifiable.</b></p> <p><u>Yik Wang Purchase Consideration and mode of settlement</u></p> <p>Please refer to our evaluation on:-</p> <p>(i) the Yik Wang Purchase Consideration of up to RM32.50 million in Section 3.2(C) of this IAL; and</p> <p>(ii) the Issue Price of RM0.7975 in Section 3.3 of this IAL.</p> <p>In addition, the partial satisfaction of the Yik Wang Purchase Consideration via the issuance of 19,225,322 Consideration Shares at the Issue Price has its benefits and advantages as set out in Section 3.3 of this IAL.</p> <p><u>Profit Guarantee</u></p> <p>As set out in Section 2.3.1, Part A of the Circular, the Yik Wang Purchase Consideration is computed based on (i) the Average Profit Guarantee of RM5.00 million and (ii) an agreed PER of 6.50 times over the Average Profit Guarantee.</p> <p>The Board is of the opinion that the Profit Guarantee is reasonable and realistic after taking into consideration, amongst others, the following:-</p> <p>(i) Yik Wang's historical performance as detailed under Section 3.6, Appendix I of the Circular as well as its earnings potential and future prospect as disclosed under Section 9.4, Part A of the Circular; and</p> <p>(ii) Yik Wang's existing management will continue to be involved in its day-to-day operational and business activities.</p>

**Salient terms of the SSAs**

**Our commentaries**

The achievability of the Average Profit Guarantee of RM5.00 million PAT beyond the Guaranteed Years is premised on the expected increasing property development activities of the Blossom Group. The majority of Yik Wang's existing customers are sub-contractors of Rantau, wherein these sub-contractors will form a ready customer market for Yik Wang. At the same time, it is also the intention of Yik Wang, post completion of the Proposed Acquisitions, to broaden its customers reach to the northern region of Malaysia instead of placing sole reliance on the Perak market. Additionally, Yik Wang is also undertaking various strategies to increase its profit margins, including improving its procurement strategy by monitoring price movements of building materials to better manage its raw materials costs.

It is worth noting that:-

- (i) a special audit to confirm the cumulative PAT of Yik Wang for the Guaranteed Years shall be conducted and to be completed within 3 months from the FYE 31 December 2021; and
- (ii) thereafter, in the event it is determined that:-
  - (a) the Profit Guarantee is achieved, regardless of the quantum of over-achievement, the maximum amount payable to the vendors of Yik Wang shall remain unchanged at RM15.44 million, being the Yik Wang Tranche 2 Payment.  
  
In this case, the Company would have benefitted from an interest-free period (i.e. up to completion of the special audit in 2022) for the payment of the Yik Wang Tranche 2 Payment; or
  - (b) the Profit Guarantee is not achieved, regardless of the quantum of under-achievement, there will be no payment made to the vendors of Yik Wang in respect of the Yik Wang Tranche 2 Payment.

Salient terms of the SSAs	Our commentaries
<p style="text-align: center;"><b>In respect of the Rantau SSA</b></p> <p>The Rantau Purchase Consideration shall be satisfied by DBE paying a fixed sum of RM148,269,909.00 to Lagenda on the Rantau Completion Date.</p>	<p>For information purposes only, in this case, the Yik Wang Purchase Consideration shall be reduced to approximately RM17.06 million, which represents a PER of 6.50 times over the audited PAT of Yik Wang for the FYE 31 December 2019 of approximately RM2.62 million.</p> <p>Based on the above, we view that the arrangements in respect of the Profit Guarantee shall safeguard the interests of the Company, regardless of whether the Profit Guarantee is subsequently achieved or otherwise.</p> <p style="text-align: center;"><b><u>In respect of the Rantau SSA</u></b></p> <p><b>Justifiable.</b> Please refer to our evaluation on the Rantau Purchase Consideration of approximately RM148.27 million in Section 3.2(B) of this IAL.</p>
<p><b>(vi) Termination of the SSAs</b></p> <p>(a) Each party to a SSA shall be entitled to issue a notice of termination to the other party, if, at any time prior to the completion of the SSA, the other party commits any continuing or material breach of any of its obligations under the respective SSAs which is incapable of remedy or if capable of remedy, is not remedied within 14 days of it being given notice to do so, or <i>inter alia</i>, a winding up or insolvency event occurs.</p> <p>(b) If any one of the SSAs are terminated by DBE and DBE elects not to pursue the remedy of specific performance, following the giving of a notice of termination by DBE:-</p> <p>(1) the Vendors shall, within 14 days after receipt of the notice of termination:-</p> <p>(A) return to DBE all documents, if any, delivered to any of them by or on behalf of DBE;</p> <p>(B) procure Blossom, Rantau or Yik Wang respectively to return to DBE all such documents, if any;</p>	<p><b>Usual and customary.</b> This clause is a normal commercial term which governs the rights of the non-defaulting party. In any event of default, the non-defaulting party may terminate the SSAs whereupon the Proposed Acquisitions shall be terminated and the following shall be returned, refunded and repaid (<i>where applicable</i>) to DBE:-</p> <p>(i) all moneys paid towards the purchase consideration of the SSAs and the Blossom Related Party Advances, the Rantau Related Party Advances or the Yik Wang Related Party Advances respectively, together with any interest accrued thereon (<i>if any</i>);</p> <p>(ii) Consideration Shares;</p> <p>(iii) Consideration RCPS; and</p> <p>(iv) Settlement Shares.</p> <p>Nonetheless, DBE may also compel the Vendors by way of specific performance to complete the transaction contemplated in the SSAs or to claim damages for the breach of the Vendors.</p>

Salient terms of the SSAs	Our commentaries
<p>(C) return, refund and repay to DBE any and all moneys received by them towards account of the purchase consideration of the SSAs and the Blossom Related Party Advances, the Rantau Related Party Advances or the Yik Wang Related Party Advances respectively, together with any interest accrued thereon (<i>if any</i>); and</p> <p>(D) return and surrender for cancellation any Consideration Shares, Consideration RCPS and Settlement Shares received by them towards account of the purchase consideration for the SSAs and the Blossom Related Party Advances, the Rantau Related Party Advances or the Yik Wang Related Party Advances respectively or held by or on behalf of the Vendors pursuant to the terms of the SSAs; and</p> <p>(2) DBE shall, in exchange for the performance by the Vendors of their aforesaid obligations, return to the Vendors all documents, if any, delivered to them by or on behalf of Blossom, Rantau or Yik Wang respectively or the Vendors.</p> <p>(c) If any one of the SSAs are terminated by the Vendors and following the giving of a notice of termination by the Vendors:-</p> <p>(1) the Vendors shall, within 14 days after the notice of termination, return, refund and repay to DBE any and all moneys received by them towards account of the purchase consideration of the SSAs and the Blossom Related Party Advances, the Rantau Related Party Advances or the Yik Wang Related Party Advances respectively, together with any interest accrued thereon (<i>if any</i>) and return and surrender for cancellation any Consideration Shares, Consideration RCPS and Settlement Shares received by them towards account of the purchase consideration of the SSAs and the Blossom Related Party Advances, the Rantau Related Party Advances or the Yik Wang Related Party Advances respectively or held by or on behalf of the Vendors pursuant to the terms of the SSAs;</p> <p>(2) DBE shall, within 14 days after its receipt of the notice of termination, return to the vendors all documents, if any, delivered to it by or on behalf of Blossom, Rantau or Yik Wang respectively or the Vendors; and</p>	<p>Please refer to our commentaries above.</p>



Salient terms of the SSAs	Our commentaries
<p>(3) the Vendors shall in exchange for the performance by DBE of its obligations under sub-paragraph (2) above, return to DBE all documents, if any, delivered to them by or on behalf of DBE.</p> <p>(d) DBE shall be at liberty to take such action in law as may be necessary to compel the Vendors by way of specific performance to complete the transaction contemplated in the SSAs (<i>in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient conditions in the SSAs</i>) or to claim damages for the breach of the Vendors.</p>	<p>Please refer to our commentaries above.</p>
<p>(vii) <b>Profit Guarantee</b></p> <p>(a) The Vendors hereby irrevocably and unconditionally guarantee, jointly and severally, to DBE that the actual cumulative PAT of Yik Wang for the Guaranteed Years ("Actual Aggregate PAT") shall collectively be not less than the Profit Guarantee.</p> <p>(b) The Actual Aggregate PAT shall be determined:-</p> <ol style="list-style-type: none"> <li>(1) in accordance with the requirements of all applicable laws and generally accepted accounting principles applicable in Malaysia;</li> <li>(2) with proper provisions having been made for all liabilities and losses;</li> <li>(3) excluding any extraordinary items;</li> <li>(4) excluding any sales / revenue derived from transactions with any other companies which are subsidiaries of DBE during the Guaranteed Years and the corresponding expenses relating thereto;</li> <li>(5) excluding profits or losses of a capital nature arising <i>inter alia</i> from the disposal of fixed assets, investments, plant and equipment or any other assets or which are not in the ordinary course of business made on realisation of shares, intellectual property, goodwill or real property, and profits and losses attributable to businesses, if any, acquired after the execution of the Yik Wang SSA; and</li> <li>(6) after including any financial grants, rebates and/or tax incentives received from the relevant authorities.</li> </ol>	<p><b>Justifiable.</b></p> <p>The computation of the Actual Aggregate PAT shall be in accordance with the requirements of all applicable laws and generally accepted accounting principles applicable in Malaysia.</p> <p>Further, the said computation shall exclude any (i) extraordinary items, (ii) revenue and corresponding expenses relating to transactions with any other companies which are subsidiaries of DBE during the Guaranteed Years as well as (iii) profits or losses of a capital nature or which are not in the ordinary course of business of Yik Wang.</p> <p>Meanwhile, financial grants, rebates and/or tax incentives received from the relevant authorities shall be included in the computation of the Actual Aggregate PAT as they can be considered as arising from the ordinary course of business of Yik Wang. As at the LPD, there are no material financial grants, rebates and/or tax incentives received from the relevant authorities.</p>

<b>Salient terms of the SSAs</b>	<b>Our commentaries</b>
<p>(c) For the purposes of determining the Actual Aggregate PAT, DBE and the vendors shall procure and cause the auditors of Yik Wang or, at the option of DBE, any reputable accounting firm in Malaysia selected by DBE, to –</p> <p>(1) complete their special audit in respect of the accounts of Yik Wang not later than 3 months from the last day of the FYE 31 December 2021 to determine the Actual Aggregate PAT; and</p> <p>(2) issue a certificate confirming the Actual Aggregate PAT for the Guaranteed Years to the parties within 4 months following the lapse of the Guaranteed Years, and the said certificate which is approved by the Board shall, in the absence of manifest error, be conclusive, final and binding and shall not, for the avoidance of doubt, require the prior approval of the shareholders of DBE or Yik Wang in general meeting.</p> <p>(d) In the event that Yik Wang achieves the Profit Guarantee, DBE shall make the Yik Wang Tranche 2 Payment to Lagenda.</p>	<p>Please refer to our commentaries to the salient term (v) above.</p>
<p>(viii) <b>Shortfall or Surplus of Profit Guarantee</b></p> <p>(a) In the event that Yik Wang fails to achieve the Profit Guarantee, DBE shall be discharged from its obligation to pay Lagenda the Yik Wang Tranche 2 Payment. Consequently, the Yik Wang Purchase Consideration shall be adjusted to RM17,062,286, which shall be fully satisfied by DBE making the Yik Wang Tranche 1 Cash Consideration.</p> <p>(b) For the avoidance of doubt, in the event that the Actual Aggregate PAT is higher than the Profit Guarantee, the Yik Wang Purchase Consideration shall remain at RM32,500,000.</p>	<p>Please refer to our commentaries to the salient term (v) above.</p>

Based on the above, we are of the view that the salient terms of the SSAs are not detrimental to the interests of the non-interested Shareholders.

**(B) Consideration RCPS**

The Proposed Blossom Acquisition entails the issuance of up to 716,192,288 Consideration RCPS (including up to 76,550,572 Retention RCPS) at the Issue Price.

We have considered the salient terms of the Consideration RCPS as set out in Appendix III of the Circular and summarised below are our commentaries thereon:-

- (i) the Issue Price of the Consideration RCPS of RM0.7975 is equivalent to the Issue Price of the Consideration Shares, Settlement Shares and new DBE Shares to be issued upon conversion of Consideration RCPS (as each Consideration RCPS is convertible into 1 DBE Share) (see our evaluation on the Issue Price in Section 3.3 of this IAL);
- (ii) the issuance of Consideration RCPS (instead of new DBE Shares) to Lagenda enables the Company to complete the Proposed Acquisitions whilst maintaining the required public shareholding spread pursuant to the Public Spread Requirement (see Section 2.10, Part A of the Circular for further details). Further, the Company has obtained the RCPS Undertaking from the Vendors for the purposes of ensuring compliance with the Public Spread Requirement in the event of conversion of the Consideration RCPS;
- (iii) unlike the issuance of new DBE Shares, the dilution impact arising from the conversion of Consideration RCPS to shareholdings in DBE, NA per DBE Share and EPS of DBE will not be immediate but instead, is expected to be on a progressive basis as and when the Consideration RCPS is converted into new DBE Shares over the 8-year tenure of the Consideration RCPS.

Further, the dilution impact arising from such progressive conversion of Consideration RCPS to NA per DBE Share and EPS of DBE shall also be mitigated by the earnings contribution from the Target Companies over the said period, taking into consideration of the funds required for Blossom Group's 2 main projects, namely BBSAP and LTI, which are expected to last until 2028 and 2027 respectively;

- (iv) as compared to bank borrowings which requires servicing of interest and principal repayments on a periodic basis, the DBE Group will not be subject to such financial burden from the issuance of Consideration RCPS.

In addition, the cumulative preferential dividend of the Consideration RCPS (which is at a fixed rate of 4% per annum, compounded annually, based on the Issue Price) is lower than the enlarged DBE Group's borrowing rate (see Section 6.6, Part A of the Circular on the effective interest rates);

- (v) the DBE's option to redeem the Consideration RCPS at the Redemption Price (which is equivalent to the Issue Price), in whole or in part, at any time during the 8-year tenure of the Consideration RCPS will provide DBE the flexibility to manage its share base;
- (vi) alternatively, any conversion of the Consideration RCPS by the holders at any time during the 8-year tenure of the Consideration RCPS or the automatic conversion of any outstanding Consideration RCPS into new DBE Shares at the maturity date of the Consideration RCPS will increase the equity base of DBE, thereby enhancing its financial position;
- (vii) the Consideration RCPS will not be listed, quoted or traded on Bursa Securities or any other stock exchange and shall not be transferable without the consent of DBE;

- (viii) until and unless converted into new DBE Shares (*which shall rank equally in all respects with the then existing DBE Shares*), the Consideration RCPS shall carry no right to vote at any general meeting of the ordinary shareholders except with regards to any proposal to reduce the capital of DBE, to dispose of the whole of DBE's property, business and/or undertakings, to wind-up DBE and at any time during the winding-up of DBE. In relation to any proposal by DBE to vary or abrogate the rights of the Consideration RCPS, the holders shall be entitled to vote at such class meeting of the holders of the Consideration RCPS; and
- (ix) similar to any preference share, the Consideration RCPS shall rank in priority to:-
  - (a) any other unsecured securities or shares of DBE (*but behind all secured and unsecured obligations of DBE*) in the event of liquidation, dissolution or winding up. The Consideration RCPS shall rank equally amongst themselves and in priority to other redeemable convertible preference shares that may be created in future; and
  - (b) the DBE Shares with regard to dividend payment.

Based on the above, we are of the view that the salient terms of the Consideration RCPS are not detrimental to the interests of the non-interested Shareholders.

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### 3.5 Effects of the Proposals

We noted the pro forma effects of the Proposals from Section 10, Part A of the Circular.

On a standalone basis, the Proposed Exemption and Proposed Amendments will not have any effect on the share capital, substantial shareholders' shareholdings, NA, gearing and earnings of DBE. Nonetheless, the Proposed Exemption and Proposed Amendments are necessary to facilitate the implementation of the Proposals.

#### 3.5.1 Share capital

Pursuant to the Proposals, the issued share capital of DBE may increase from RM61.14 million as at the LPD to up to RM790.10 million as a result of the issuance of Consideration Shares, Settlement Shares and Placement Shares as well as the conversion of Consideration RCPS into new DBE Shares.

The pro forma effects of the Proposed Acquisitions, Proposed Share Consolidation and Proposed Private Placement on the issued share capital of DBE are as follows:-

	No. of DBE Shares ('000)	Amount (RM'000)
Issued share capital as at the LPD	2,837,229	61,135
After the Proposed Share Consolidation (Consolidation of every 25 existing DBE Shares into 1 Consolidated Share)	113,489	61,135
To be issued pursuant to the Proposed Acquisitions (Issuance of 108.73 million Consideration Shares and 41.27 million Settlement Shares at the Issue Price of RM0.7975)	150,000	119,625
	<b>263,489</b>	<b>180,760</b>
To be issued pursuant to the Proposed Private Placement (Issuance of up to 135.00 million Placement Shares at an indicative issue price of RM0.80 each)	135,000	108,000
	<b>398,489</b>	<b>288,760</b>
To be issued pursuant to the full conversion of Consideration RCPS (Conversion of up to 716.19 million Consideration, including up to 76.55 million Retention RCPS which is assumed to be issued)	716,192	501,335
Enlarged issued share capital (up to)	<b>1,114,681</b>	<b>790,095</b>

### 3.5.2 Substantial shareholders' shareholdings

Pursuant to the issuance of Consideration Shares and Settlement Shares to Lagenda as well as the full conversion of Consideration RCPS into new DBE Shares by Lagenda, the shareholdings of the PAC Group in DBE may potentially increase from 35.13% as at the LPD to 92.49% (in the event that the Proposed Private Placement cannot be successfully implemented) and the shareholdings held by the non-interested Shareholders in DBE will decrease from 64.87% as at the LPD to 7.51%, as shown below:-

Name	As at the LPD				(I) After the Proposed Share Consolidation				(II) After (I) and the Proposed Acquisitions			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Lagenda	939,280	33.11	-	-	37,571	33.11	-	-	150,000	56.93	-	-
Doh Properties	-	-	939,280 <sup>(1)</sup>	33.11	-	-	37,571 <sup>(1)</sup>	33.11	37,571	14.26	-	-
Setia Awan	57,520	2.03	939,280 <sup>(2)</sup>	33.11	2,301	2.03	37,571 <sup>(2)</sup>	33.11	2,301	0.87	187,571 <sup>(2)</sup>	71.19
DDJM	-	-	939,280 <sup>(2)</sup>	33.11	-	-	37,571 <sup>(2)</sup>	33.11	-	-	187,571 <sup>(2)</sup>	71.19
DDTL	-	-	939,280 <sup>(2)</sup>	33.11	-	-	37,571 <sup>(2)</sup>	33.11	-	-	187,571 <sup>(2)</sup>	71.19
DDJC	-	-	939,280 <sup>(2)</sup>	33.11	-	-	37,571 <sup>(2)</sup>	33.11	-	-	187,571 <sup>(2)</sup>	71.19
<b>PAC Group</b>	<b>996,800</b>	<b>35.13<sup>(4)</sup></b>			<b>39,872</b>	<b>35.13<sup>(4)</sup></b>			<b>189,872</b>	<b>72.06</b>		
<b>Total number of Shares in issue</b>			<b>2,837,229</b>				<b>113,489</b>				<b>263,489</b>	
<b>Public shareholding spread (%)<sup>(3)</sup></b>			<b>64.87</b>				<b>64.83</b>				<b>27.92</b>	
(A) With Proposed Private Placement												
Name	After (II) and the Proposed Placement		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
	150,000	37.64	-	-	866,192	77.71	-	-	37,571	3.37	-	-
Lagenda	37,571	9.43	-	-	37,571	3.37	-	-	37,571	3.37	-	-
Doh Properties	-	-	37,571 <sup>(1)</sup>	9.43	-	-	37,571 <sup>(1)</sup>	3.37	-	-	37,571 <sup>(1)</sup>	3.37
Setia Awan	-	-	187,571 <sup>(2)</sup>	47.07	2,301	0.21	903,763 <sup>(2)</sup>	81.08	2,301	0.23	903,763 <sup>(2)</sup>	92.25
DDJM	2,301	0.58	187,571 <sup>(2)</sup>	47.07	-	-	903,763 <sup>(2)</sup>	81.08	-	-	903,763 <sup>(2)</sup>	92.25
DDTL	-	-	187,571 <sup>(2)</sup>	47.07	-	-	903,763 <sup>(2)</sup>	81.08	-	-	903,763 <sup>(2)</sup>	92.25
DDJC	-	-	187,571 <sup>(2)</sup>	47.07	-	-	903,763 <sup>(2)</sup>	81.08	-	-	903,763 <sup>(2)</sup>	92.25
<b>PAC Group</b>	<b>189,872</b>	<b>47.65</b>			<b>906,064</b>	<b>81.28<sup>(4)</sup></b>			<b>906,064</b>	<b>92.49</b>		
<b>Total number of Shares in issue</b>			<b>398,489</b>				<b>1,114,681</b>				<b>979,681</b>	
<b>Public shareholding spread (%)<sup>(3)</sup></b>			<b>52.34</b>				<b>18.71</b>				<b>7.51</b>	
(B) Without Proposed Private Placement												
(III) After (II) and full conversion of the Consideration RCPS into new DBE Shares <sup>(5)</sup>												
Name	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
	866,192	88.42	-	-	37,571	3.84	-	-	866,192	88.42	-	-
Lagenda	37,571	3.84	-	-	37,571	3.84	-	-	37,571	3.84	-	-
Doh Properties	-	-	37,571 <sup>(1)</sup>	3.84	-	-	37,571 <sup>(1)</sup>	3.84	-	-	37,571 <sup>(1)</sup>	3.84
Setia Awan	-	-	187,571 <sup>(2)</sup>	19.53	2,301	0.23	903,763 <sup>(2)</sup>	95.63	2,301	0.23	903,763 <sup>(2)</sup>	95.63
DDJM	2,301	0.23	187,571 <sup>(2)</sup>	19.53	-	-	903,763 <sup>(2)</sup>	95.63	-	-	903,763 <sup>(2)</sup>	95.63
DDTL	-	-	187,571 <sup>(2)</sup>	19.53	-	-	903,763 <sup>(2)</sup>	95.63	-	-	903,763 <sup>(2)</sup>	95.63
DDJC	-	-	187,571 <sup>(2)</sup>	19.53	-	-	903,763 <sup>(2)</sup>	95.63	-	-	903,763 <sup>(2)</sup>	95.63
<b>PAC Group</b>	<b>906,064</b>	<b>92.49</b>			<b>906,064</b>	<b>92.49</b>			<b>906,064</b>	<b>92.49</b>		
<b>Total number of Shares in issue</b>			<b>979,681</b>				<b>979,681</b>				<b>979,681</b>	
<b>Public shareholding spread (%)<sup>(3)</sup></b>			<b>7.51</b>				<b>7.51</b>				<b>7.51</b>	

**Notes:-**

- (1) Deemed interested pursuant to Section 8 of the Act by virtue of its shareholding in Doh Properties.
- (2) Deemed interested pursuant to Section 8 of the Act by virtue of his shareholding in Legenda and Setia Awan (which in turn holds 100% equity interest in Doh Properties).
- (3) Computed based on total number of DBE Shares in issue less the number of DBE Shares held by the PAC Group as well as shareholders holding less than 100 DBE Shares.
- (4) Any discrepancies between the sum of the individual shareholdings and the total shareholdings of the PAC Group stated in the table are due to rounding.
- (5) The Consideration RCPS is convertible into new DBE Shares at the earliest on the date of its issuance.

In mitigating the risk of non-compliance with the Public Spread Requirement based on the illustration above, the Company has obtained the RCPS Undertaking from the Vendors via their letter dated 26 February 2020 to enable the Company to fulfill and comply with the Public Spread Requirement following the conversion of any part or all of the Consideration RCPS into new DBE Shares.

### 3.5.3 Earnings and EPS

Upon completion of the Proposed Acquisitions, the Target Companies will become part of the enlarged DBE Group and accordingly, their future financial performance will be consolidated in the financial statements of DBE.

The impact on the earnings and EPS of DBE will depend upon, amongst others, the financial contribution of the Target Companies vis-à-vis the dilution to the EPS of DBE arising from the issuance of Consideration Shares, Settlement Shares and Placement Shares, as well as the conversion of Consideration RCPS into new DBE Shares.

For illustration purposes, assuming the Proposals had been effected at the beginning of FYE 31 December 2019, the pro forma effects of the Proposed Acquisitions, Proposed Share Consolidation and Proposed Private Placement on the earnings and EPS of DBE for the FYE 31 December 2019 are as follows:-

	FYE 31 December 2019 (Audited) (RM'000)	(i) Adjusted for the Completed Private Placement (RM'000)	(ii) After (i) and the Proposed Share Consolidation (RM'000)	(iii) After (ii) and the Proposed Acquisitions (RM'000)	(iv) After (iii) and the Proposed Private Placement (RM'000)	(v) After (iv) and full conversion of the Consideration RCPS into new DBE Shares (RM'000)
PAT from continuing operations	9,777	9,777	9,777	127,189	125,689	125,689
LAT from discontinued operations	(2,086)	(2,086)	(2,086)	(2,086)	(2,086)	(2,086)
<b>PAT attributable to owners of the Company</b>	<b>7,691</b>	<b>7,691</b>	<b>7,691</b>	<b>125,103</b>	<b>123,603</b>	<b>123,603</b>
Weighted average number of DBE Shares ('000)	2,678,229	2,837,229	113,489	263,489	398,489	1,114,681
Actual / Pro forma EPS (sen)						
- from continuing operations	0.37	0.34	8.62	48.27	31.54	11.28
- from discontinued operations	(0.08)	(0.07)	(1.84)	(0.79)	(0.52)	(0.19)
	0.29	0.27	6.78	47.48	31.02	11.09

The non-interested Shareholders should note that the computation of pro forma effects of the Proposed Acquisitions, Proposed Share Consolidation and Proposed Private Placement on the earnings and EPS of DBE above:-

- (i) is computed based on the audited PAT attributable to the owners of the Target Companies for the FYE 31 December 2019. Accordingly, the computation above includes the audited PAT of Yik Wang of approximately RM2.62 million only, which is lower than the Average Profit Guarantee of RM5.00 million in respect of the Proposed Yik Wang Acquisition;
- (ii) includes the estimated expenses of RM6.50 million for the Proposed Acquisitions and RM1.50 million for the Proposed Private Placement, which are non-recurring in nature;
- (iii) assumes that all Consideration RCPS (*including Retention RCPS*) are immediately converted into new DBE Shares at the beginning of the financial year. In view of the 8-year tenure of the Consideration RCPS, the dilution impact arising from the conversion of Consideration RCPS to EPS of DBE is expected to be on a progressive basis as and when the Consideration RCPS is converted into new DBE Shares, rather than an immediate dilution;
- (iv) does not include (i) the effects arising from the reduction in overnight policy rate (OPR) by Bank Negara Malaysia by 1.00% in 2020; (ii) additional interest expenses arising from bank borrowings of RM150.00 million to finance the Rantau Purchase Consideration and Yik Wang Tranche 1 Cash Consideration, which if based on the range of borrowing rate as set out in Section 6.6, Part A of the Circular (i.e. 4.6% to 6.5%), will amount to approximately RM6.90 million to RM9.75 million; and (iii) reduction in interest expenses arising from the partial repayment of bank borrowings using proceeds from the Proposed Private Placement of up to RM18.00 million; and
- (v) does not include any potential impairment loss on goodwill arising from the Proposed Acquisitions. Based on Note 4.1 to the pro forma consolidated statement of financial position of the Group as at 31 December 2019 in Appendix V of the Circular, the goodwill to be recognised arising from the Proposed Acquisitions (*which is subject to finalisation of the purchase price allocation exercise after the completion of the Proposed Acquisitions*) is as follows:-

	<b>RM'million</b>
Goodwill to be recognised arising from:-	
(a) Proposed Blossom Acquisition	11.00
(b) Proposed Rantau Acquisition	77.12
(c) Proposed Yik Wang Acquisition	12.91
	<u>101.03</u>

Please refer to Notes 3.3.1, 3.3.2 and 3.3.3 to the pro forma consolidated statement of financial position of the Group as at 31 December 2019 in Appendix V of the Circular for the provisional computation of the goodwill to be recognised arising from the Proposed Acquisitions.

Notwithstanding the above, the Proposed Acquisitions are expected to contribute positively to the future earnings of the DBE Group arising from the earnings contribution from the Target Companies whilst the Proposed Private Placement is expected to provide the necessary funds to be utilised in the manner as set out in Section 6.6, Part A of the Circular.



### **3.5.4 NA and gearing**

As set out in Section 10.4, Part A of the Circular, the audited NA of DBE as at 31 December 2019 (*after adjusting for the Completed Private Placement*) will increase from RM67.17 million to RM540.81 million upon full conversion of the Consideration RCPS into new DBE Shares. However, the audited NA per Share as at 31 December 2019 (*after adjusting for the Completed Private Placement and Proposed Share Consolidation*) will decrease by RM0.10 from RM0.59 to RM0.49, mainly due to the full conversion of Consideration RCPS into new DBE Shares.

The net gearing ratio of the DBE Group will increase from nil as at the LPD to 0.60 times upon completion of the Proposed Acquisitions (*arising mainly from bank borrowings of RM150.00 million to finance the Rantau Purchase Consideration and Yik Wang Tranche 1 Cash Consideration*) before decreasing gradually to 0.15 times with the partial repayment of bank borrowings using proceeds from the Proposed Private Placement of up to RM18.00 million and the enlarged NA base of the DBE Group resulting from the issuance of Placement Shares and conversion of Consideration RCPS into new DBE Shares.

Notwithstanding the decrease in NA per Share and the increase in net gearing ratio of the DBE Group, the Proposed Acquisitions are expected to contribute positively to the future earnings of the DBE Group arising from the earnings contribution from the Target Companies.

### **3.5.5 Convertible securities**

Save for the 580,644,468 outstanding Warrants B, DBE does not have any other outstanding convertible securities.

Pursuant to the deed poll dated 20 January 2017, which governs the terms and conditions of Warrants B, the Proposed Share Consolidation will give rise to adjustments to the exercise price and number of outstanding Warrants B. Any necessary adjustments arising from the Proposed Share Consolidation in relation to the outstanding Warrants B will only be finalised on the Entitlement Date for the Proposed Share Consolidation.

For illustration purposes, assuming all of the outstanding 580,644,468 Warrants B are not exercised prior to the Entitlement Date, the number of Warrants B will be adjusted downwards to 23,225,778 Consolidated Warrants in DBE and the existing exercise price of RM0.05 for each Warrant B will be adjusted to RM1.25 per Consolidated Warrant (*see Section 5.3, Part A of the Circular for the computation*).

Save for the adjustments to the exercise price and number of outstanding Warrants B due to the Proposed Share Consolidation, the Proposals will not give rise to any adjustments to the exercise price and/or number of outstanding Warrants B.

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

### 3.6 Prospects of the enlarged DBE Group

Following the DBE Group's diversification of its business to include property development and construction in 2018, the Group has been continuously increasing its presence in the property development segment. As at the LPD, the Group has 4 development projects (see Section 3.1 of this IAL for further details) which are at various stages of sales and completion i.e. (i) Pangsapuri Seri Iskandar (100% sold and completed in April 2020), (ii) Taman Desa Harmoni (100% sold and completed in March 2020), (iii) Taman Bemban Indah (28% sold, 44% completed with expected completion in the 4<sup>th</sup> quarter of 2021) and (iv) Pengkalan Prisma (52% sold, 39% completed with expected completion in the 4<sup>th</sup> quarter of 2021).

As set out in Section 3.1 of this IAL, the Proposed Acquisitions represent an opportunity for the Group to further expand and entrench its position in the property development and related businesses.

The Proposed Blossom Acquisition allows the DBE Group to have an immediate access to the Blossom Group's on-going township developments and sizeable land banks in Perak (see Section 1.7, Appendix I of the Circular for information on Blossom Group Properties). The two main affordable township developments undertaken by the Blossom Group are BBSAP and LTI (with an aggregate remaining GDV of approximately RM2.30 billion) while the smaller township development such as Taman Mulia has a remaining GDV of approximately RM124.65 million.

The Proposed Rantau Acquisition and Proposed Yik Wang Acquisition are synergistic to the Proposed Blossom Acquisition. Over the next few years, the Blossom Group will be actively launching various phases of its BBSAP and LTI townships. In this respect, Rantau (which is the in-house project management arm of the Blossom Group) and Yik Wang (which is principally engaged in trading of building materials and hardware in Malaysia) may play an important role in supporting and complementing the development projects of the Blossom Group.

Upon completion of the Proposed Acquisitions, the shareholdings of the PAC Group in DBE will increase from 35.13% as at the LPD to 72.06% (before conversion of any Consideration RCPS into new DBE Shares). The increased equity participation in DBE reaffirms the commitment of the PAC Group towards the enlarged DBE Group's businesses. Moving forward, the Group is expected to continue leveraging on the experience and network of the PAC Group in managing and growing its property development and related businesses, with the intention to expand the Group's geographical reach beyond the northern region of Malaysia (if and when such opportunities arises in the future). For information purposes, each of DDJM, DDTL and DDJC has more than 17 years of experience in property development and related businesses.

In the short term, both local and global economic prospects are expected to remain weak, attributable to prolonged geopolitical tensions, amidst the concern on trade war, which is further dampened by the outbreak of COVID-19, affecting global trade and business confidence. As a result, the weak economic prospects have a trickle-down effect on the general property and construction market in Malaysia.

Nevertheless, the longer term outlook of the Target Companies is expected to be supported and driven by:-

- (i) the Federal and State Governments' commitment and initiatives in supporting the property and construction market, with various incentives initiated to tackle the affordability and home ownership issues (see Sections 9.2 and 9.3, Part A of the Circular for further details) given that the Target Companies are generally focused towards the affordable housing segment;

- (ii) the overview and outlook of the property and construction market in Perak (*being one of the most populous states in Malaysia, with a total population of over 2.5 million (Source: Demographic Statistics Fourth Quarter 2019, Malaysia, Department of Statistics Malaysia)*) as set out in Section 9.3, Part A of the Circular.

Based on the Property Market Report 2019 issued by the Valuation and Property Services Department, Ministry of Finance Malaysia, the property market in Perak is expected to sustain supported by various infrastructure on-going and proposed development projects for 2020. The Federal Government has approved federal projects to be implemented in Perak amounting to RM2.30 billion covering various projects (*including Kampar Hospital and upgrading and extending the Sultan Azlan Shah Airport*). To achieve the goal of building 50,000 units of low and medium cost houses within 5 years, the State Government will introduce incentives to developers (*including exemption of certain fees and charges as well as incentive payment of premiums*).

The performance of residential overhang units in Perak improved slightly as the number reduced in the review period (2019: 5,024 units; 2018: 5,367 units). At the national level, fewer new launches in 2019 and better sales performance led to the decrease in residential overhang and unsold under construction and not constructed. After 4 consecutive years of increase, the overhang recorded a decline in 2019. There were 30,664 overhang units worth RM18.82 billion, decreased by 5.1% in volume and 5.2% in value against 2018 (32,313 units worth RM19.86 billion);

- (iii) the strategic location of the Blossom Group's township developments and land banks which are situated near to major towns in Perak and are well connected through the on-going West Coast Expressway ("**WCE**") that spans 233 kilometres connecting Taiping in Perak to Banting in Selangor, which is being completed by phases. Section 4 of the WCE is targeted to be opened by the first half of 2020, followed by Sections 1, 2, 3 and 6 in 2021; and lastly, Sections 7 and 11 in 2022 (*Source: Valuation reports dated 24 February 2020 prepared by Knight Frank*); and
- (iv) the Blossom Group's affordable township propositions which offer a diverse mix of landed residential products together with various supporting facilities and amenities at affordable prices.

We take note of the Board's view in Section 9.4, Part A of the Circular that the impact arising from the MCO, CMCO and COVID-19 outbreak to the Target Companies is expected to be minimal taking into consideration the resilience in the demand for affordable homes, sufficiency of demand and competitive advantage of Blossom Group's development projects.

In view of the above, we view the prospects of the enlarged DBE Group to be favourable.

### **3.7 Risk factors in relation to the Proposed Acquisitions**

In considering the Proposed Acquisitions, the non-interested Shareholders are advised to give careful consideration to the risk factors as set out in Section 8, Part A of the Circular. We wish to highlight some of the risk factors in relation to the Proposed Acquisitions to the non-interested Shareholders as follows:-

- (i) non-realisation of anticipated benefits – although the Proposed Acquisitions are expected to contribute positively to the earnings of the Group, there is no guarantee that the anticipated benefits from the Proposed Acquisitions will be realised or that DBE will be able to generate sufficient returns from the property assets of the Target Companies to offset the associated cost of investment.

Based on Note 4.1 to the pro forma consolidated statement of financial position of the Group as at 31 December 2019 in Appendix V of the Circular, the goodwill to be recognised arising from the Proposed Acquisitions amounts to approximately RM101.03 million. In the event that the returns from the investment are lower than the cost of investment, an impairment loss on goodwill may be recognised and this may adversely affect the financial performance and financial position of the enlarged DBE Group.

Nevertheless, the DBE Group has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisitions and the Board believes that the Proposed Acquisitions will be value accretive and synergistic to the enlarged Group, after taking into consideration, amongst others, the prospects of the Target Companies.

- (ii) new interest and principal servicing obligations – as set out in Section 10.4, Part A of the Circular, the estimated net borrowings of the DBE Group will increase from nil to RM189.36 million upon completion of the Proposed Acquisitions (*arising mainly from bank borrowings of RM150.00 million to finance the Rantau Purchase Consideration and Yik Wang Tranche 1 Cash Consideration*). In addition, the Group will also potentially obtain additional borrowings to fund the development costs for the property assets of the Blossom Group.

This would result in new interest and principal servicing obligations for the Group. In addition, the Group could potentially be exposed to fluctuation in interest rates on such external financing, leading to higher borrowing costs that may adversely affect the Group's financial performance, as well as its ability to service future loan repayment obligations.

Nevertheless, the DBE Group will continuously monitor and review its debt portfolio, which include taking into consideration of the Group's gearing level, interest costs and cash flows in achieving an overall optimal capital structure.

- (iii) impact from the COVID-19 – the impact from the COVID-19 outbreak on the Malaysian overall economy which in turn has a trickle-down effect on the general property and construction market in Malaysia will depend on the duration and spread of the outbreak as well as policy responses by authorities.

Due to the implementation of the MCO and CMCO, there may be potential delays in the completion of the development projects as compared to the intended timeline which may result in liquidated ascertained damages being incurred. The extent of these liquidated ascertained damages, if any, is dependent on the Target Companies obtaining approval from the relevant authorities for an extension of time to meet the completion date of its projects and/or the ability of the Target Companies to expedite its construction activities to meet the intended deadline.

Further, the sales of Blossom Group have been temporarily affected, with minimal sales recorded for on-going phases as well as delay in its new launches (*i.e. delay of Phase 3A of BBSAP*). Inadvertently, the revenue of the Target Companies for the year 2020 may be affected.

Nevertheless, in view that the development projects undertaken by the Blossom Group are generally focused in the affordable housing segment, the Company does not foresee that the sales of the Blossom Group's development projects will be adversely impacted in the mid to long term.

In addition, the DBE Group will proactively engage with the Vendors to monitor the development progress of the Target Companies' on-going projects closely in order to minimise the risk of any delay in completion of the development projects.

- (iv) non-compliance with the Public Spread Requirement – as set out in Section 2.10, Part A of the Circular, the effects of the issuance of Consideration Shares and Settlement Shares (*pursuant to the Proposed Acquisitions*), issuance of the Placement Shares (*pursuant to the Proposed Private Placement*) as well as the full conversion of the Consideration RCPS into new DBE Shares on the public shareholding spread of DBE are as follows:-

	Public shareholding spread of DBE*	Compliance with Public Spread Requirement
(a) As at the LPD	64.87	Yes
(b) Upon issuance of Consideration Shares and Settlement Shares	27.92	Yes
(c) Upon issuance of Placement Shares	52.34	Yes
(d) Upon full conversion of the Consideration RCPS into new DBE Shares	18.71	No

- \* Computed based on total number of DBE Shares in issue less the number of DBE Shares held by the PAC Group as well as shareholders holding less than 100 DBE Shares.

Notwithstanding the RCPS Undertaking given by the Vendors, there is no guarantee that the Public Spread Requirement will be met if the Proposed Private Placement cannot be successfully implemented within the stipulated timeframe and/or the Consideration RCPS is mandatorily converted upon its maturity (*i.e. 8 years from the issue date*) and no other proposal is successfully implemented to address the non-compliance and/or inadvertent breach of the said RCPS Undertaking.

Should there be a non-compliance with the Public Spread Requirement, the Company will have to apply to Bursa Securities for an extension of time to comply with the Public Spread Requirement whilst proactively undertake measures / proposals to rectify the shortfall.

Nonetheless, in view that the DBE Group has in 2018 diversified its business to include property development and construction, the business risk profile of DBE is not expected to change significantly upon completion of the Proposed Acquisitions.

### 3.8 Implications arising from the voting outcome of the Proposed Exemption

You should note that the SC may consider granting the Proposed Exemption if the PAC Group has satisfied amongst others, the following conditions pursuant to Paragraph 4.08(2) of the Rules:-

- (i) there has been no acquisition of shares or instruments convertible into shares and options in respect of shares (*other than subscriptions for new shares or new instruments convertible into or options in respect of new shares which have been disclosed in the whitewash circular*) by the PAC Group during the 6-month period prior to the announcement of the Proposals on 26 February 2020 but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of DBE in relation to the Proposed Acquisitions until the completion of the issuance of Consideration Shares and Settlement Shares ("**Disqualifying Transaction**"); and
- (ii) approval has been obtained from independent holders of voting shares or voting rights of DBE at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the MGO from the PAC Group.

An exemption granted will be invalidated if Lagenda or any persons acting in concert with it has engaged or engages in a Disqualifying Transaction.

The implications of the non-interested Shareholders' votes on the Proposed Exemption to be tabled at the forthcoming EGM are set out in the ensuing sections.

### 3.8.1 If you **VOTE IN FAVOUR** of the Proposed Exemption

- (i) The SC would be able to consider the application by the PAC Group *(which will be submitted by AmInvestment Bank on behalf of the PAC Group)* for the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt the PAC Group from the obligation to undertake the MGO to acquire the remaining DBE Shares and Warrants B not already held by them upon completion of the Proposed Acquisitions.
- (ii) Your approval of the Proposed Exemption will imply that you have agreed to waive your rights to a general offer from the PAC Group *(which shall be undertaken at a price no lower than the highest price paid by the PAC Group for the DBE Shares and Warrants B in the past 6 months preceding the commencement of the offer)* and exempt the PAC Group from the obligation to undertake the MGO arising from the increase in the individual shareholding of Lagenda and the collective shareholdings of the PAC Group in DBE pursuant to the issuance of Consideration Shares and Settlement Shares upon completion of the Proposed Acquisitions.
- (iii) It is pertinent to note that the Proposed Exemption will allow the shareholdings of:-
  - (a) Lagenda in DBE to increase from 0% as at the LPD to 56.93%; and
  - (b) the PAC Group in DBE to increase from 35.13% as at the LPD to 72.06%,

upon completion of the Proposed Acquisitions without being required to undertake the MGO. On the other hand, the shareholdings held by the non-interested Shareholders in DBE will be diluted from 64.87% as at the LPD to 27.94% after the Proposed Acquisitions.

With a shareholding of more than 50% in DBE upon completion of the Proposed Acquisitions, any further increase in the shareholding in DBE *(including through subsequent purchases of DBE Shares in the open market and conversion of Consideration RCPS into new DBE Shares)* by:-

- (a) Lagenda *(provided its individual shareholding in DBE remains more than 50% at all times)*; and
- (b) the PAC Group *(provided the collective shareholdings in DBE remain more than 50% at all times)*,

would not trigger an obligation for the PAC Group to undertake a MGO. For the avoidance of doubt:-

- (a) persons acting in concert with Lagenda *(individually)* would still incur an obligation to undertake the MGO pursuant to the Rules if any one of them increases his individual shareholding in DBE to more than 33%, unless an exemption is granted by the SC; and

- (b) in the event the shareholdings of Lagenda (*individually*) or the PAC Group (*collectively*) in DBE falls to below 50% as a result of the Proposed Private Placement or otherwise, any subsequent increase in the shareholdings in DBE by Lagenda (*individually*) or the PAC Group (*collectively*), as the case may be, shall be subject to the creeping threshold under Paragraph 4.01(b) of the Rules. Unless otherwise exempted by the SC, where the creeping threshold is triggered (*i.e. acquisition of more than 2% of the total voting shares in DBE in any period of 6 months*), a MGO will need to be undertaken.

Further, with the said shareholding in DBE, the PAC Group will have statutory control over DBE and unless the PAC Group is required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, the PAC Group is able to (*through casting of their votes which represent 72.06% of the total voting shares in DBE after the Proposed Acquisitions*):-

- (a) vote through or vote down any ordinary resolutions (*as such resolutions only require approval from more than 50% of the total votes cast*); and
- (b) vote down any special resolutions (*as such resolutions require approval from at least 75% of the total votes cast*).

In addition, if (1) the PAC Group converts all the Consideration RCPS into new DBE Shares after completion of the Proposed Acquisitions and (2) the Proposed Private Placement cannot be successfully implemented, the shareholdings of Lagenda and the PAC Group in DBE may potentially increase to 88.42% and 92.49% respectively. Consequently, the shareholdings held by the non-interested Shareholders in DBE will decrease to 7.51%.

- (iv) The non-interested Shareholders should also note that by voting for the Proposed Exemption, they could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer as the Consideration RCPS to be issued under the Proposed Acquisitions will need to be included in any such offer.
- (v) In view of the inter-conditionality of the Proposals as set out in Section 14, Part A of the Circular, without the approval being obtained for the Proposed Exemption, the Proposals will not proceed. Therefore, voting in favour of the Proposed Exemption will enable DBE to benefit from the Proposals (*if the Proposed Acquisitions, Proposed Amendments, Proposed Share Consolidation and Proposed Private Placement are approved by the non-interested Shareholders*).

### **3.8.2 If you VOTE AGAINST the Proposed Exemption**

- (i) The SC would not be able to consider the application by the PAC Group for the Proposed Exemption.
- (ii) In view of the inter-conditionality of the Proposals as set out in Section 14, Part A of the Circular, in the event that the Proposed Exemption is not approved, the Proposals will not proceed. Accordingly, DBE will not be able to realise the potential benefits arising from the Proposals as detailed in Section 8 of this IAL.

#### **4. DIRECTORS' INTENTION IN RELATION TO THE PROPOSALS**

As at the LPD, save for the interests of DDJM, DDTL and DDJC as set out in Section 1.1(i), Attachment III of this IAL, the Directors of DBE do not have any interest, whether direct or indirect, in the DBE Shares.

As set out in Section 15, Part A of the Circular, DDJM, DDTL and DDJC (*being the Interested Directors*) are deemed interested in the Proposals. Accordingly, they will abstain from voting and undertake to ensure that persons connected with them, if any, to abstain from voting in respect of their direct and/or indirect shareholdings in DBE, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM to be convened.

#### **5. FUTURE PLANS FOR THE DBE GROUP AND ITS EMPLOYEES**

Pursuant to Paragraph 8, Schedule 2: Part II of the Rules, Lagenda and PACs have confirmed that they do not intend to effect any major change to the following:-

- (i) the continuation of the business of the DBE Group;
- (ii) the business of the DBE Group, including any plans to liquidate the DBE Group, sell any material assets or re-deploy the fixed assets or effect any other major change in the business of the DBE Group; and
- (iii) the continued employment of the employees or employment policies of the DBE Group,

except where such changes are in the ordinary course of the DBE Group's business or are necessary to rationalise or improve the DBE Group's operations and/or financial performance. Lagenda and PACs shall retain the flexibility at any time to consider any options which are in the best interests of the DBE Group that may present themselves.

As at the LPD, save for the Proposals, the Put Option and Call Option, Lagenda and PACs have not entered into any negotiation or arrangement or understanding with any third party in relation to any significant change in the DBE Group's business and assets or the shareholding structure of DBE.

Lagenda and PACs intend to maintain the listing status of DBE on the Main Market of Bursa Securities for amongst others, ease of access to the equity capital market and better corporate recognition by the stakeholders of the Company. Towards this end, the Vendors have on 26 February 2020 provided the RCPS Undertaking to enable the Company to fulfill and comply with the Public Spread Requirement following the conversion of any part or all of the Consideration RCPS into new DBE Shares.

As at the LPD, Lagenda and PACs are already the controlling shareholders of DBE via their collective equity interest of 35.13% in DBE and their representations on the Board. Lagenda and PACs believe in the long-term growth prospects of the property development and construction market in Malaysia and that the Proposals shall, upon completion, place the enlarged DBE Group in a better position to benefit from economies of scale and to capitalise on any future opportunities arising from the potential recovery of the industry.

#### **6. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board has seen, reviewed and accepted the contents of this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (*save for the views and recommendation of Mercury Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this IAL have been arrived at after due and careful consideration and 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 the Target Companies and the PAC Group (as obtained from publicly available documents (where available) and other information / documents provided by such parties / companies and their directors / management) 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 Proposed Acquisitions and Proposed Exemption as set out in Part B of the Circular is limited to ensuring that accurate information in relation to the DBE Group was provided to Mercury Securities for its evaluation of the Proposed Acquisitions and Proposed Exemption on a holistic basis and to ensure that all information in relation to the DBE Group that are relevant to Mercury Securities' evaluation of the Proposed Acquisitions and Proposed Exemption on a holistic basis have been completely disclosed to Mercury Securities and that there is no other fact, the omission of which would make any information provided to Mercury Securities false or misleading.

## 7. FURTHER INFORMATION

The non-interested Shareholders are advised to refer to Part A of the Circular as well as the accompanying appendices for further details in relation to the Proposals.

## 8. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisitions and Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisitions and Proposed Exemption based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the Shareholders in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolutions to give effect to the Proposed Acquisitions and Proposed Exemption at the forthcoming EGM of the Company.

The Proposed Exemption (if granted) will allow DBE to undertake the Proposals (if approved by the non-interested Shareholders). Accordingly, the potential advantages and disadvantages of the Proposals are as follows:-

<b>Potential advantages</b>	
(i)	The Proposed Acquisitions represent an opportunity for the Group to further expand and entrench its position in the property development and related businesses at the Total Considerations (which we view as justifiable), allowing the DBE Group to:- <ul style="list-style-type: none"><li>(a) scale up its property development business via participation in the Blossom Group's township developments, on-going projects and land banks;</li><li>(b) have better management and control of development projects of the Blossom Group via acquisition of the in-house project management arm of the Blossom Group (i.e. Rantau); and</li><li>(c) support and complement the development projects of the Blossom Group with Yik Wang's involvement in procuring sufficient supply of building materials at reasonable prices.</li></ul>
In addition, the Proposed Acquisitions will minimise administrative efforts, time and costs which would otherwise be incurred to comply with the requirements under the MMLR in respect of recurrent related party transactions between companies within the enlarged DBE Group and eliminate any potential conflict of interests and competition within the same market segment between the Target Companies and the DBE Group in the future.	

### Potential advantages

- (ii) A major portion (81%) of the Total Considerations in respect of the Proposed Acquisitions will be satisfied via the issuance of Consideration Shares, Settlement Shares and Consideration RCPS as DBE would not be able to rely solely on its cash reserves and/or bank borrowings in view of the huge quantum of Total Considerations and the funding requirements for working capital as well as any future investment opportunities of the enlarged DBE Group. Meanwhile, an equity fund raising exercise such as rights issue may place a financial burden to the existing Shareholders and may not proceed if the minimum subscription level for the rights shares is not achieved. Additionally, a rights issue which typically requires major shareholders' undertaking to subscribe for the shares may also further dilute the Company's public shareholding spread and liquidity, in the event that there is low subscription rate for the rights issue.

Further, the Issue Price:-

- (a) is **higher than** the daily VWAPs\* of the DBE Shares for approximately 89% of the total market days (*with trading volume*) for the past 1 year prior to the LTD and up to the LPD;
- (b) represents a **premium** of RM0.0475 (6.33%) over the last traded market price\* of the DBE Shares on the LTD and a **premium** of between RM0.0075 (0.95%) and RM0.0250 (3.24%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs\* of the DBE Shares up to the LTD; and
- (c) represents a **premium** of RM0.0475 (6.33%) over the last traded market price\* of the DBE Shares on the LPD and a **premium** of RM0.1250 (18.59%) over the 5-day VWAP\* of the DBE Shares up to the LPD.

\* *Adjusted for the Proposed Share Consolidation*

The issuance of the Consideration Shares, Settlement Shares and Consideration RCPS at a premium to prevailing market prices of DBE Shares will entail issuance of a lower number of DBE Shares and hence, less dilution impact to the shareholdings in DBE.

Further, DBE has the flexibility to manage its share base via the option to redeem the Consideration RCPS, in whole or in part, throughout its 8-year tenure. In addition, the cumulative preferential dividend of the Consideration RCPS (*fixed rate of 4% per annum, compounded annually*) is lower than the enlarged DBE Group's borrowing rate (*see Section 6.6, Part A of the Circular on the effective interest rates*).

- (iii) The increased participation of the PAC Group in DBE reaffirms its commitment to the enlarged DBE Group and that it is not the PAC Group's intention to monetise the investments in the Target Companies. This allows the Group to continue leveraging on the experience and network of the PAC Group in managing and growing property development and related businesses of the enlarged Group.
- (iv) The Proposed Acquisitions are expected to contribute positively to the future earnings of the DBE Group arising from the earnings contribution from the Target Companies whilst the Proposed Private Placement is expected to provide the necessary funds for partial repayment of bank borrowings, working capital for on-going development projects of the Blossom Group and future investment opportunities (*should such opportunity arise*) as well as disbursement of estimated expenses in relation to the Proposals.

Based on the illustration set out in Section 10.3, Part A of the Circular, assuming the Proposals had been effected at the beginning of FYE 31 December 2019, the consolidated PAT of DBE for the FYE 31 December 2019 will increase from RM7.69 million (*EPS: 6.78 sen, after adjusting for the Completed Private Placement and Proposed Share Consolidation*) to RM123.60 million upon completion of the Proposals (*EPS: 11.09 sen, upon full conversion of the Consideration RCPS into new DBE Shares*).

- (v) The Proposals will increase the audited NA of DBE as at 31 December 2019 (*after adjusting for the Completed Private Placement*) from RM67.17 million to RM540.81 million upon full conversion of the Consideration RCPS into new DBE Shares. The larger NA base will strengthen the DBE Group's financial position and market positioning in the property industry.

### Potential disadvantages

(i) The Proposed Exemption will allow the shareholdings of:-

- (a) Lagenda in DBE to increase from 0% as at the LPD to 56.93%; and
- (b) the PAC Group in DBE to increase from 35.13% as at the LPD to 72.06%,

upon completion of the Proposed Acquisitions without being required to undertake the MGO. On the other hand, the shareholdings held by the non-interested Shareholders in DBE will be diluted from 64.87% as at the LPD to 27.94% after the Proposed Acquisitions.

With a shareholding of more than 50% in DBE upon completion of the Proposed Acquisitions, any further increase in the shareholding in DBE (*including through subsequent purchases of DBE Shares in the open market and conversion of Consideration RCPS into new DBE Shares*) by:-

- (a) Lagenda (*provided its individual shareholding in DBE remains more than 50% at all times*); and
- (b) the PAC Group (*provided the collective shareholdings in DBE remain more than 50% at all times*),

would not trigger an obligation for the PAC Group to undertake a MGO.

Further, with the said shareholding in DBE, the PAC Group will have statutory control over DBE and unless the PAC Group is required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, the PAC Group is able to (*through casting of their votes which represent 72.06% of the total voting shares in DBE after the Proposed Acquisitions*):-

- (a) vote through or vote down any ordinary resolutions (*as such resolutions only require approval from more than 50% of the total votes cast*); and
- (b) vote down any special resolutions (*as such resolutions require approval from at least 75% of the total votes cast*).

(ii) In addition, upon full conversion of the Consideration RCPS into new DBE Shares, the shareholdings of the PAC Group in DBE may further increase to:-

- (a) up to 81.28% (*in the event that the Proposed Private Placement is successfully implemented*) while the shareholdings held by the non-interested Shareholders in DBE will decrease to 18.72%; or
- (b) up to 92.49% (*in the event that the Proposed Private Placement cannot be successfully implemented*) while the shareholdings held by the non-interested Shareholders in DBE will decrease to 7.51%.

The non-interested Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer as the Consideration RCPS to be issued under the Proposed Acquisitions will need to be included in any such offer.

(iii) The Proposals will result in a decrease of RM0.10 in the audited NA per Share as at 31 December 2019 (*after adjusting for the Completed Private Placement and Proposed Share Consolidation*) from RM0.59 to RM0.49, mainly due to the full conversion of Consideration RCPS into new DBE Shares.

Premised on the above and our evaluation of the Proposed Acquisitions and Proposed Exemption on a holistic basis, we are of the view that, on the basis of the information available to us, the Proposed Acquisitions and Proposed Exemption are **fair and reasonable** and are **not detrimental** to the interests of the non-interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the Proposed Acquisitions and Proposed Exemption 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

## ATTACHMENT I – INFORMATION ON DBE

### 1. HISTORY AND PRINCIPAL ACTIVITIES

DBE was incorporated in Malaysia on 2 January 2001 under the Companies Act, 1965 as a private limited company under the name of D.B.E. Gurney Resources Sdn Bhd. On 6 February 2003, the Company was converted to a public limited company and assumed its present name. The Company was listed on the Second Board of Bursa Securities on 11 February 2004 and is currently listed on the Main Market of Bursa Securities. DBE is an investment holding company.

Further information on DBE's subsidiaries and associated companies is set out in Section 5 of this Attachment I.

### 2. SHARE CAPITAL

#### 2.1 Issued share capital

The issued share capital of DBE as at the LPD is as follows:-

	No. of DBE Shares	Amount (RM)
Issued share capital	2,837,229,306	61,135,332

The holders of DBE Shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry 1 vote per share without restrictions and rank equally with regards to the Company's residual assets.

#### 2.2 Changes in the issued share capital

Save for the Completed Private Placement which involves a private placement of 159,000,000 new DBE Shares at an issue price of RM0.027 per share which was completed on 18 February 2020, there are no other changes in DBE's issued share capital since the end of the FYE 31 December 2019 up to the LPD.

#### 2.3 Convertible securities

As at the LPD, save for 580,644,468 outstanding Warrants B, DBE does not have any other convertible securities.

### 3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of DBE and their shareholdings in DBE based on the Register of Substantial Shareholders as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of DBE Shares	% <sup>(1)</sup>	No. of DBE Shares	% <sup>(1)</sup>
Doh Properties	939,280,220	33.11	-	-
Setia Awan	-	-	939,280,220 <sup>(2)</sup>	33.11
DDJM	57,520,000	2.03	939,280,220 <sup>(3)</sup>	33.11
DDTL	-	-	939,280,220 <sup>(3)</sup>	33.11
DDJC	-	-	939,280,220 <sup>(3)</sup>	33.11

**Notes:-**

(1) Computed based on the total number of 2,837,229,306 DBE Shares as at the LPD.

(2) Deemed interested pursuant to Section 8 of the Act by virtue of its shareholding in Doh Properties.

(3) Deemed interested pursuant to Section 8 of the Act by virtue of his shareholding in Setia Awan, which in turn holds 100% equity interest in Doh Properties.

**ATTACHMENT I – INFORMATION ON DBE (cont'd)****4. DIRECTORS**

As at the LPD, the details of the Directors of DBE are as follows:-

<b>Name / Designation</b>	<b>Nationality</b>	<b>Address</b>
DDTL <i>(Non-Independent Non-Executive Chairman)</i>	Malaysian	No. 16, Taman Tok Perdana, 32000 Sitiawan, Perak
DDJM <i>(Managing Director)</i>	Malaysian	No. 16, Taman Tok Perdana, 32000 Sitiawan, Perak
DDJC <i>(Non-Independent Non-Executive Director)</i>	Malaysian	No. 16, Taman Tok Perdana, 32000 Sitiawan, Perak
Mohamad Ali Bin Ariffin <i>(Independent Non-Executive Director)</i>	Malaysian	No. 164, Persiaran SM 2B/24, Fasa 2B, Bandar Baru Seri Manjung, 32040 Seri Manjung, Perak
Looi Sze Shing <i>(Independent Non-Executive Director)</i>	Malaysian	No. 11, Jalan SS 25/17, 47301 Petaling Jaya, Selangor

The interests of the Directors of DBE in the DBE Shares as at the LPD are set out in Section 1.7(iii), Attachment III of this IAL.

**5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE ENTITY**

The details of the subsidiaries and associated companies of DBE as at the LPD are as follows:-

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
<b><u>Subsidiaries</u></b>			
DBE Development Sdn Bhd	Malaysia	100	Property development
D Construction Sdn Bhd	Malaysia	100	Dormant
<b><u>Associated companies</u></b>			
Harumi Brands Sdn Bhd <i>(formerly known as D.B.E. Poultry Sdn Bhd)</i>	Malaysia	49	Operating broiler farms, feeds processing activities and trading in related farm products and materials and operator of restaurants
D.B.E. Breeding Sdn Bhd	Malaysia	49	Dormant
D.B.E. Hatchery Sdn Bhd	Malaysia	49	Dormant
D.B.E. Marketing Sdn Bhd	Malaysia	49	Dormant
D.B.E. Food Processing Industries Sdn Bhd	Malaysia	49	Dormant
D.B.E. Gurney Chicken Sdn Bhd	Malaysia	49	Dormant

**ATTACHMENT I – INFORMATION ON DBE (cont'd)**

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
Super Harumi (Thailand) Co., Ltd	Thailand	14.7	Quick service restaurant
GW Seasoning (M) Sdn Bhd	Malaysia	14.7	Seasoning powder manufacturer, wholesaler and distributor
Farmmesh Foods (M) Sdn Bhd	Malaysia	34.3	Quick service restaurant

As at the LPD, DBE does not have any joint venture entity.

**6. PROFIT AND DIVIDEND RECORD**

A summary of the DBE Group's results based on the audited consolidated financial statements of DBE for the FYE 31 December 2017, 31 December 2018 and 31 December 2019 as well as the latest unaudited consolidated financial statements of DBE for the 3-month FPE 31 March 2020 is as follows:-

	3-month FPE 31 March 2020 <sup>(1)</sup> (RM)	FYE 31 December		
		2019 (RM)	2018 (RM)	Restated 2017 <sup>(2)</sup> (RM)
<b>Continuing operations</b>				
Revenue	20,232,000	71,824,689	12,742,411	111,721,035
PBT / (LBT)	5,776,000	13,707,792	2,266,692	(20,462,606)
Taxation	(1,417,000)	(3,930,163)	(1,116,922)	209,093
PAT / (LAT) from continuing operations	4,359,000	9,777,629	1,149,770	(20,253,513)
<b>Discontinued operations</b>				
LAT from discontinued operations	-	(2,086,242)	(28,999,427) <sup>(3)</sup>	-
<b>PAT / (LAT) attributable to owners of the Company</b>	<b>4,359,000</b>	<b>7,691,387</b>	<b>(27,849,657)</b>	<b>(20,253,513)</b>
Weighted average number of ordinary shares in issue	2,753,361,000	2,678,229,306	2,678,229,306	1,440,127,676
Basic EPS / (LPS) (sen) <sup>(4)(5)</sup>				
- from continuing operations	0.158	0.365	0.043	(1.406)
- from discontinued operations	-	(0.078)	(1.083)	-
	0.158	0.287	(1.040)	(1.406)
Net dividend per ordinary share declared in respect of the respective financial year (sen)	-	-	-	-

\* DBE does not have any non-controlling interests for the financial years under review.

**Notes:-**

- (1) All numbers for the 3-month FPE 31 March 2020 are rounded to the nearest thousands, where applicable.
- (2) On 1 January 2018, the Group adopted MFRS with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in the financial statements, including the statements of comprehensive income for the FYE 31 December 2017. The restated comparative information is unaudited. Nonetheless, the comparative information was audited under the previous financial reporting framework, Financial Reporting Standards.
- (3) On 31 December 2019, the Group disposed 51% equity interest in poultry-related companies which represented its entire poultry operating segment. The disposed companies were not a discontinued operation or classified as held for sale as at 31 December 2018 and the comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.
- (4) The basic EPS / (LPS) is computed based on PAT / (LAT) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue.
- (5) The diluted EPS is not presented as the exercise price of the Warrants B has exceeded the average market price of DBE Shares during the financial year.

**ATTACHMENT I – INFORMATION ON DBE (cont'd)**

Save as disclosed below, there is no material exceptional item in the audited consolidated financial statements of DBE for the past 3 financial years up to the FYE 31 December 2019:-

<b>FYE 31 December</b>	<b>2019 (RM)</b>	<b>2018 (RM)</b>	<b>Restated 2017 (RM)</b>
(Charge) / Credit to PAT / (LAT) of the Group			
- adjustment on property, plant and equipment	(2,056,536)	-	-
- changes in fair value on unquoted shares	-	(1,070,000)	-
- loss on fair value adjustment on amount due from an associate	(4,785,391)	-	-
- gain / (loss) on disposal of:-			
(i) property, plant and equipment	180,312	(13,710)	30,711
(ii) investment in unquoted shares	1	-	-
(iii) subsidiaries	1,357,216	-	-
- impairment loss on:-			
(i) amounts due from an associate	(205,675)	-	-
(ii) investment in associates	(52,500)	(268,251)	-
(iii) property, plant and equipment	-	(16,489,175)	(123,772)
(iv) trade receivables	(672,316)	(701,833)	(864,007)
(v) other receivables	-	-	(6,710,959)
- loss on remeasurement of non-current financial liability	(799,549)	-	-
- reversal of impairment loss on:-			
(i) trade receivables	701,833	3,361,925	1,574,875
(ii) other receivables	3,069,572	2,834,819	-
- written off on:-			
(i) amount due from an associate	(80,742)	-	-
(ii) deposit	-	(8,990)	-
(iii) property, plant and equipment	(1)	(419,984)	(867)
(iv) trade receivables	(110,543)	-	-
(v) other receivables	(216,000)	-	-
Credit to other comprehensive income of the Group			
- revaluation surplus, net of tax	-	223,250	9,721,409

There is no material exceptional item in the latest unaudited consolidated financial statements of DBE for the 3-month FPE 31 March 2020.

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**7. STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities of DBE based on its audited consolidated financial statements for the FYE 31 December 2018 and 31 December 2019 as well as the latest unaudited consolidated financial statements of DBE for the 3-month FPE 31 March 2020 is as follows:-

	As at 31 March 2020 <sup>(1)</sup> (RM)	As at 31 December	
		2019 (RM)	2018 (RM)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	4	68,366,565
Investment in associates	11,288,000	9,800,000	-
Amount due from an associate	17,576,000	17,598,217	-
<b>Total non-current assets</b>	<b>28,864,000</b>	<b>27,398,221</b>	<b>68,366,565</b>
<b>Current assets</b>			
Biological assets	-	-	8,132,542
Inventories	41,055,000	40,007,764	14,316,960
Trade receivables	24,068,000	10,406,787	12,622,377
Other receivables	10,387,000	10,223,485	3,099,875
Contract assets	30,619,000	31,473,897	4,957,375
Tax recoverable	-	-	8,064
Fixed deposits with a licensed bank	7,922,000	8,013,217	5,367,189
Cash and bank balances	5,925,000	1,843,391	3,136,200
<b>Total current assets</b>	<b>119,976,000</b>	<b>101,968,541</b>	<b>51,640,582</b>
<b>TOTAL ASSETS</b>	<b>148,840,000</b>	<b>129,366,762</b>	<b>120,007,147</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	61,011,000	56,842,332	56,842,332
Reserves	10,394,000	6,034,682	585,374
<b>TOTAL EQUITY</b>	<b>71,405,000</b>	<b>62,877,014</b>	<b>57,427,706</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade payables	-	-	3,081,152
Borrowings – secured	-	-	6,177,807
Deferred tax liabilities	-	-	5,354,509
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>14,613,468</b>
<b>Current liabilities</b>			
Trade payables	47,906,000	32,283,952	15,811,689
Other payables	26,563,000	32,037,304	13,595,732
Amount due to Directors	-	-	12,255,225
Borrowings – secured	-	-	5,162,092
Provision for tax	2,966,000	2,168,492	1,141,235
<b>Total current liabilities</b>	<b>77,435,000</b>	<b>66,489,748</b>	<b>47,965,973</b>
<b>TOTAL LIABILITIES</b>	<b>77,435,000</b>	<b>66,489,748</b>	<b>62,579,441</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>148,840,000</b>	<b>129,366,762</b>	<b>120,007,147</b>
Number of ordinary shares in issue as at the end of the respective financial year	2,837,229,306	2,678,229,306	2,678,229,306
NA per ordinary share (RM)	0.03	0.02	0.02

**Note:-**

(1) All numbers for the 3-month FPE 31 March 2020 are rounded to the nearest thousands, where applicable.

As at the LPD, save for the Completed Private Placement, there is no known material change in the financial position of DBE subsequent to the latest audited consolidated financial statements of DBE for the FYE 31 December 2019.

As at the LPD, within the knowledge of the PAC Group, there has been no material change in the financial position or prospects of DBE since its audited consolidated financial statements for the FYE 31 December 2018 were laid before its shareholders at its annual general meeting held on 27 May 2019 other than as disclosed in the announcements made by DBE on Bursa Securities, which include its quarterly financial results, from time to time.

## **8. ACCOUNTING POLICIES**

For the FYE 31 December 2017, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards. The financial statements of the Group and of the Company for the FYE 31 December 2018 are the first financial statements prepared in accordance with MFRS. Further information on the impact of the transition to MFRS is disclosed in Notes 2(a) and 32 to the financial statements of DBE for the FYE 31 December 2018.

For the FYE 31 December 2019, the Group has applied MFRS 16 *Leases* for the first time for the financial year beginning 1 January 2019. Further information on the impact of the adoption of MFRS 16 *Leases* is disclosed in Note 2(a)(i) to the financial statements of DBE for the FYE 31 December 2019.

Save for the abovementioned, there is no change in the accounting standards adopted by DBE which would result in a material variation to the comparable figures for the audited consolidated financial statements of DBE for the FYE 31 December 2017, 31 December 2018 and 31 December 2019.

There was no audit qualification for DBE's financial statements for the respective financial years under review.

## **9. BORROWINGS**

As at the LPD, the DBE Group does not have any outstanding interest-bearing borrowings.

## **10. CONTINGENT LIABILITIES**

The details on contingent liabilities of the DBE Group as at the LPD are as set out in Section 4, Appendix X of the Circular.

## **11. MATERIAL LITIGATION**

The details on material litigation relating to the DBE Group as at the LPD are as set out in Section 5, Appendix X of the Circular.

## **12. MATERIAL CONTRACTS**

The details on material contracts entered into by the DBE Group (*not being contracts entered into in the ordinary course of business*) within the past 2 years immediately preceding the announcement of the Proposals and up to the date of the Circular are as set out in Section 6, Appendix X of the Circular.

**13. HISTORICAL SHARE PRICES**

The closing market prices of the DBE Shares and Warrants B as traded on the Main Market of Bursa Securities (i) during the period commencing 6 months preceding the announcement of the Proposals on 26 February 2020 and up to the LPD, (ii) on the LTD and (iii) on the LPD are as follows:-

**DBE Shares**

	<b>Closing market prices (RM)</b>
<b><u>2019</u></b>	
August	0.030
September	0.030
October	0.030
November	0.025
December	0.030
<b><u>2020</u></b>	
January	0.030
February	0.030
March	0.025
April	0.025
May	0.025
Last traded market price on the LTD	0.030
Last traded market price on the LPD	0.030

During the period commencing 6 months preceding the announcement of the Proposals on 26 February 2020 and up to the LPD:-

- (i) the highest closing market price of DBE Share was RM0.035 for the following periods:-
- (a) November 2019 : 26<sup>th</sup> and 27<sup>th</sup> of the month;
  - (b) December 2019 : 13<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>, 20<sup>th</sup>, 23<sup>rd</sup>, 24<sup>th</sup>, 26<sup>th</sup> and 27<sup>th</sup> of the month;
  - (c) January 2020 : 2<sup>nd</sup>, 3<sup>rd</sup>, 15<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup>, 20<sup>th</sup>, 21<sup>st</sup>, 22<sup>nd</sup> and 24<sup>th</sup> of the month; and
  - (d) February 2020 : 7<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> of the month.
- (ii) the lowest closing market price of DBE Share was RM0.020 for the following periods:-
- (a) March 2020 : 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup>, 20<sup>th</sup>, 23<sup>rd</sup>, 25<sup>th</sup>, 26<sup>th</sup>, 27<sup>th</sup> and 30<sup>th</sup> of the month; and
  - (b) April 2020 : 3<sup>rd</sup> of the month.

(Source: Bloomberg)

**Warrants B**

	<b>Closing market prices (RM)</b>
<b>2019</b>	
August	0.010
September	0.010
October	0.005
November	0.005
December	0.010
<b>2020</b>	
January	0.010
February	0.010
March	0.005
April	0.005
May	0.010
Last traded market price on the LTD	
	0.010
Last traded market price on the LPD	
	0.005

During the period commencing 6 months preceding the announcement of the Proposals on 26 February 2020 and up to the LPD:-

- (i) the highest closing market price of Warrants B was RM0.010 for the following periods:-
- (a) August 2019 : 28<sup>th</sup>, 29<sup>th</sup> and 30<sup>th</sup> of the month;
  - (b) September 2019 : All traded days except 17<sup>th</sup> of the month;
  - (c) October 2019 : 7<sup>th</sup>, 8<sup>th</sup>, 18<sup>th</sup> and 21<sup>st</sup> of the month;
  - (d) November 2019 : 15<sup>th</sup>, 22<sup>nd</sup>, 26<sup>th</sup>, and 27<sup>th</sup> of the month;
  - (e) December 2019 : 9<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup> and 30<sup>th</sup> of the month;
  - (f) January 2020 : All traded days except 2<sup>nd</sup>, 3<sup>rd</sup> and 6<sup>th</sup> of the month;
  - (g) February 2020 : All traded days except 27<sup>th</sup> of the month;
  - (h) March 2020 : 3<sup>rd</sup>, 24<sup>th</sup> and 27<sup>th</sup> of the month;
  - (i) April 2020 : 23<sup>rd</sup> of the month;
  - (j) May 2020 : 4<sup>th</sup>, 12<sup>th</sup>, 15<sup>th</sup>, 18<sup>th</sup>, 20<sup>th</sup>, 21<sup>st</sup> and 29<sup>th</sup> of the month; and
  - (k) June 2020 : 10<sup>th</sup> of the month.
- (ii) the lowest closing market price of Warrants B was RM0.005 for the following periods:
- (a) August 2019 : 27<sup>th</sup> of the month;
  - (b) September 2019 : 17<sup>th</sup> of the month;
  - (c) October 2019 : All traded days except 7<sup>th</sup>, 8<sup>th</sup>, 18<sup>th</sup> and 21<sup>st</sup> of the month;
  - (d) November 2019 : All traded days except 15<sup>th</sup>, 22<sup>nd</sup>, 26<sup>th</sup> and 27<sup>th</sup> of the month;
  - (e) December 2019 : 2<sup>nd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> of the month;
  - (f) January 2020 : 2<sup>nd</sup>, 3<sup>rd</sup> and 6<sup>th</sup> of the month;
  - (g) February 2020 : 27<sup>th</sup> of the month;
  - (h) March 2020 : All traded days except 3<sup>rd</sup>, 24<sup>th</sup> and 27<sup>th</sup> of the month;
  - (i) April 2020 : All traded days except 23<sup>rd</sup> of the month;
  - (j) May 2020 : 5<sup>th</sup>, 8<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup>, 22<sup>nd</sup>, 27<sup>th</sup> and 28<sup>th</sup> of the month; and
  - (k) June 2020 : All traded days up to the LPD except 10<sup>th</sup> of the month.

(Source: Bloomberg)

## ATTACHMENT II – INFORMATION ON LAGENDA AND PACs

### INFORMATION ON LAGENDA

#### 1. HISTORY AND PRINCIPAL ACTIVITIES

Lagenda was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 16 November 2015. Lagenda is principally involved in property development. However, Lagenda has remained dormant since incorporation.

#### 2. SHARE CAPITAL

As at the LPD, the issued share capital of Lagenda is RM3 comprising 3 ordinary shares.

As at the LPD, Lagenda does not have any convertible securities.

#### 3. SHAREHOLDERS

As at the LPD, the shareholders of Lagenda are DDJM (33.33%), DDTL (33.33%) and DDJC (33.33%).

#### 4. DIRECTORS

As at the LPD, the directors of Lagenda are DDJM, DDTL and DDJC. Their details are set out in Section 4, Attachment I of this IAL.

Each of them holds an equity interest of 33.33% in Lagenda as at the LPD.

#### 5. SUBSIDIARY, ASSOCIATED COMPANY AND JOINT VENTURE ENTITY

As at the LPD, Lagenda does not have any subsidiary, associated company or joint venture entity.

#### 6. PROFIT AND DIVIDEND RECORD

A summary of Lagenda's results based on its audited financial statements for the FYE 31 December 2017, 31 December 2018 and 31 December 2019 is as follows:-

	FYE 31 December		
	2019 (RM)	2018 (RM)	2017 (RM)
Revenue	-	-	-
LBT	(3,515)	(3,428)	(4,646)
Taxation	-	-	-
LAT	(3,515)	(3,428)	(4,646)
Weighted average number of ordinary shares in issue	3	3	3
Basic LPS (sen) <sup>(1)(2)</sup>	(117,166.67)	(114,266.67)	(154,866.67)
Net dividend per ordinary share declared in respect of the respective financial year (sen)	-	-	-

\* Lagenda does not have any non-controlling interests for the financial years under review.

## ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)

Notes:-

- (1) The basic LPS (which is computed based on LAT divided by the weighted average number of ordinary shares in issue) is not disclosed in the audited financial statements of Lagenda and is shown for illustration purposes only.
- (2) The company does not have any dilutive potential ordinary shares and has been loss-making. Accordingly, the diluted EPS is not presented.

There is no material exceptional item in the audited financial statements of Lagenda for the financial years under review.

### 7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of Lagenda based on its audited financial statements for the FYE 31 December 2018 and 31 December 2019 is as follows:-

	As at 31 December	
	2019 (RM)	2018 (RM)
<b>ASSET</b>		
<b>Current asset</b>		
Cash balance	3	3
<b>TOTAL ASSET</b>	<b>3</b>	<b>3</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Contributed share capital	3	3
Accumulated losses	(16,336)	(12,821)
<b>TOTAL EQUITY</b>	<b>(16,333)</b>	<b>(12,818)</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables and accruals	16,336	12,821
<b>TOTAL LIABILITIES</b>	<b>16,336</b>	<b>12,821</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3</b>	<b>3</b>
Number of ordinary shares in issue as at the end of the respective financial year	3	3
Net liabilities per ordinary share (RM)	(5,444.33)	(4,272.67)

As at the LPD, there is no known material change in the financial position of Lagenda subsequent to the latest audited financial statements of Lagenda for the FYE 31 December 2019.

### 8. ACCOUNTING POLICIES

The audited financial statements of Lagenda for the FYE 31 December 2017, 31 December 2018 and 31 December 2019 have been prepared based on approved accounting standards in Malaysia and there was no audit qualification for Lagenda's financial statements for the respective financial years under review.

There is no change in the accounting standards adopted by Lagenda which would result in a material variation to the comparable figures for the audited financial statements of Lagenda for the FYE 31 December 2017, 31 December 2018 and 31 December 2019.

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**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

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**INFORMATION ON PACs**

As at the LPD, Setia Awan, Doh Properties, DDJM, DDTL, DDJC, DDNC and DLHK are the PACs of Lagenda for the purposes of the Proposed Exemption.

**(A) SETIA AWAN****1. HISTORY AND PRINCIPAL ACTIVITIES**

Setia Awan was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 18 March 2004. Setia Awan is principally involved in operation of oil palm plantation and investment holding.

**2. SHARE CAPITAL**

As at the LPD, the issued share capital of Setia Awan is RM5,000,000 comprising 5,000,000 ordinary shares.

As at the LPD, Setia Awan does not have any convertible securities.

**3. SHAREHOLDERS**

As at the LPD, the shareholders of Setia Awan are DDJM (30.00%), DDTL (30.00%), DDJC (30.00%), DDNC (5.00%) and DLHK (5.00%).

**4. DIRECTORS**

As at the LPD, the directors of Setia Awan are DDJM, DDTL and DDJC. Their details are set out in Section 4, Attachment I of this IAL.

Each of them holds an equity interest of 30.00% in Setia Awan as at the LPD.

**5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE ENTITY**

The details of the subsidiaries and associated companies of Setia Awan as at the LPD are as follows:-

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
<b><u>Subsidiaries</u></b>			
Doh Properties	Malaysia	100	Investment holding
Ladang Awana	Malaysia	100	Cultivation of oil palm and sale of fresh fruit bunches
Hektar Muda Sdn Bhd	Malaysia	100	Property development and sub-division of marketable plantation plots for sale
Blossom	Malaysia	100	Property development
Taraf	Malaysia	100	Property development and construction works
Triprise	Malaysia	60	Property development

**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

Name of company	Country of incorporation	Effective equity Interest (%)	Principal activities
<b>Associated companies</b>			
Astana Endah Sdn Bhd	Malaysia	40	Cultivation of oil palm and sale of fresh fruit bunches
DBE <sup>(1)</sup>	Malaysia	33	Investment holding

**Note:-**

(1) Information on the subsidiaries and associated companies of DBE is set out in Section 5, Attachment I of this IAL.

As at the LPD, Setia Awan does not have any joint venture entity.

**6. PROFIT AND DIVIDEND RECORD**

A summary of Setia Awan's results based on the audited consolidated financial statements of Setia Awan for the FYE 31 August 2017, 31 August 2018 and 31 August 2019 is as follows:-

	FYE 31 August		
	2019 (RM)	Restated 2018 (RM)	Restated 2017 (RM)
Revenue	30,836,144	19,642,822	19,481,721
(LBT) / PBT	(386,067)	(9,934,549)	13,938,258
Taxation	(1,467,612)	(1,279,736)	(2,077,573)
(LAT) / PAT	<b>(1,853,679)</b>	<b>(11,214,285)</b>	<b>11,860,685</b>
Weighted average number of ordinary shares in issue	5,000,000	5,000,000	5,000,000
Basic (LPS) / EPS (sen) <sup>(1)(2)</sup>	(37.07)	(224.29)	237.21
Net dividend per ordinary share declared in respect of the respective financial year (sen)	-	-	-

\* Setia Awan does not have any non-controlling interests for the financial years under review.

**Notes:-**

- (1) The basic (LPS) / EPS (which is computed based on (LAT) / PAT divided by the weighted average number of ordinary shares in issue) is not disclosed in the audited consolidated financial statements of Setia Awan and is shown for illustration purposes only.
- (2) The company does not have any dilutive potential ordinary shares. Accordingly, the diluted EPS is not presented.

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**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

Save as disclosed below, there is no material exceptional item in the audited consolidated financial statements of Setia Awan for the past 3 financial years up to the FYE 31 August 2019:-

<b>FYE 31 August</b>	<b>2019 (RM)</b>	<b>Restated 2018 (RM)</b>	<b>Restated 2017 (RM)</b>
(Charge) / Credit to (LAT) / PAT of Setia Awan			
- negative goodwill (reversed) / recognised	(900,000)	972,260	1,584,741
- overdue late payment interest under recognised in prior years	-	(10,298,710)	-
- gain on disposal of:-			
(i) investment property	-	-	2,510,894
(ii) property, plant and equipment	1,277,103	-	975
(iii) subsidiary	-	-	-

**7. STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities of Setia Awan based on its audited consolidated financial statements for the FYE 31 August 2018 and 31 August 2019 is as follows:-

	<b>As at 31 August</b>	
	<b>2019 (RM)</b>	<b>Restated 2018 (RM)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	35,173,270	73,792,138
Biological assets	2,563,756	2,030,335
Investment properties	406,736	412,385
Land held for property development	13,359,080	-
Investment in associated companies	35,212,764	29,089,579
Intangible assets	2,405,523	2,689,261
Other investments	385,233	385,233
<b>Total non-current assets</b>	<b>89,506,362</b>	<b>108,398,931</b>
<b>Current assets</b>		
Inventories	249,364,029	244,056,331
Property development costs	-	6,494,495
Trade receivables	4,269,649	17,540,902
Other receivables and deposits	140,800,759	111,858,548
Tax recoverable	1,770,560	95,196
Fixed deposit with a licensed bank	2,277,753	7,500
Cash and bank balances	2,760,834	28,788,876
<b>Total current assets</b>	<b>401,243,584</b>	<b>408,841,848</b>
<b>TOTAL ASSETS</b>	<b>490,749,946</b>	<b>517,240,779</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Contributed share capital	5,000,000	5,000,000
Retained profits	300,227,841	302,081,520
<b>TOTAL EQUITY</b>	<b>305,227,841</b>	<b>307,081,520</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	534,010	16,521
Finance lease liabilities	276,814	348,510
Bank borrowings	108,425,704	100,360,357
<b>Total non-current liabilities</b>	<b>109,236,528</b>	<b>100,725,388</b>

**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

	As at 31 August	
	2019 (RM)	Restated 2018 (RM)
<b>Current liabilities</b>		
Trade payables	369,907	993,206
Other payables and accruals	53,179,901	75,500,411
Amount owing to directors	7,836,938	22,399,109
Tax liabilities	210,076	1,499,434
Finance lease liabilities	141,193	114,414
Bank borrowings	14,547,562	8,927,297
<b>Total current liabilities</b>	<b>76,285,577</b>	<b>109,433,871</b>
<b>TOTAL LIABILITIES</b>	<b>185,522,105</b>	<b>210,159,259</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>490,749,946</b>	<b>517,240,779</b>
Number of ordinary shares in issue as at the end of the respective financial year	5,000,000	5,000,000
NA per ordinary share (RM)	61.05	61.42

As at the LPD, save for the acquisition of the Blossom Group by Doh Properties (*a wholly-owned subsidiary of Setia Awan*), there is no known material change in the financial position of Setia Awan subsequent to the audited consolidated financial statements of Setia Awan for the FYE 31 August 2019.

**8. ACCOUNTING POLICIES**

The financial statements of Setia Awan for the FYE 31 August 2017 are the first financial statements prepared in accordance with Malaysian Private Entities Reporting Standard.

Save for the transition to Malaysian Private Entities Reporting Standard, there is no change in the accounting standards adopted by Setia Awan which would result in a material variation to the comparable figures for the audited consolidated financial statements of Setia Awan for the FYE 31 August 2017, 31 August 2018 and 31 August 2019.

There was no audit qualification for Setia Awan's financial statements for the respective financial years under review.

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**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

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**(B) DOH PROPERTIES****1. HISTORY AND PRINCIPAL ACTIVITIES**

Doh Properties was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 16 November 2015. Doh Properties is principally involved in investment holdings.

**2. SHARE CAPITAL**

As at the LPD, the issued share capital of Doh Properties is RM3 comprising 3 ordinary shares.

As at the LPD, Doh Properties does not have any convertible securities.

**3. SHAREHOLDER**

As at the LPD, Doh Properties is a wholly-owned subsidiary of Setia Awan (100.00%).

**4. DIRECTORS**

As at the LPD, the directors of Doh Properties are DDJM, DDTL and DDJC. Their details are set out in Section 4, Attachment I of this IAL.

DDJM, DDTL and DDJC are deemed interested in 100% equity interest in Doh Properties as at the LPD 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.

**5. SUBSIDIARIES, ASSOCIATED COMPANY AND JOINT VENTURE ENTITY**

The details of the subsidiaries and associated company of Doh Properties as at the LPD are as follows:-

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
<b><u>Subsidiaries</u></b>			
Blossom	Malaysia	100	Property development
Taraf	Malaysia	100	Property development and construction works
Triprise	Malaysia	60	Property development
<b><u>Associated company</u></b>			
DBE <sup>(1)</sup>	Malaysia	33	Investment holding

**Note:-**

(1) Information on the subsidiaries and associated companies of DBE is set out in Section 5, Attachment I of this IAL.

As at the LPD, Doh Properties does not have any joint venture entity.

**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)****6. PROFIT AND DIVIDEND RECORD**

A summary of Doh Properties' results based on its audited financial statements for the FYE 31 December 2017, FYE 31 December 2018 and unaudited financial statements for the FYE 31 December 2019 is as follows:-

	FYE 31 December		
	2019 (RM)	2018 (RM)	2017 (RM)
Revenue	-	-	-
(LBT) / PBT	(2,455,017)	(3,615,525)	1,536,596
Taxation	(676)	(16,000)	-
(LAT) / PAT	(2,455,693)	(3,631,525)	1,536,596
Weighted average number of ordinary shares in issue	3	3	3
Basic (LPS) / EPS (RM) <sup>(1)(2)</sup>	(818,564.33)	(1,210,508.33)	512,198.67
Net dividend per ordinary share declared in respect of the respective financial year / period (sen)	-	-	-

\* *Doh Properties does not have any non-controlling interests for the financial period under review.*

**Notes:-**

- (1) *The basic (LPS) / EPS (which is computed based on (LAT) / PAT divided by the weighted average number of ordinary shares in issue) is not disclosed in the audited financial statements of Doh Properties and is shown for illustration purposes only.*
- (2) *The company does not have any dilutive potential ordinary shares. Accordingly, the diluted EPS is not presented.*

Save as disclosed below, there is no material exceptional item in the audited financial statements of Doh Properties for the financial period under review up to the FYE 31 December 2019:-

FYE 31 December	2019 (RM)	2018 (RM)	2017 (RM)
(Charge) / Credit to (LAT) / PAT of Doh Properties - fair value (loss) / gain on investment	-	(2,156,088)	1,542,253

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**7. STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities of Doh Properties based on its audited financial statements for the FYE 31 December 2018 and unaudited financial statements for the FYE 31 December 2019 is as follows:-

	As at 31 December	
	2019 (RM)	2018 (RM)
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment in subsidiaries	50,000,000	-
Investment in associates	28,178,407	28,178,407
<b>Total non-current asset</b>	<b>78,178,407</b>	<b>28,178,407</b>
<b>Current assets</b>		
Other receivables and deposits	13,962,306	-
Tax recoverable	30,750	-
Fixed deposit with a licensed bank	604,646	6,043,211
Cash and bank balances	5,842,889	968,944
<b>Total current assets</b>	<b>20,440,591</b>	<b>7,012,155</b>
<b>TOTAL ASSETS</b>	<b>98,618,998</b>	<b>35,190,562</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Contributed share capital	3	3
(Accumulated losses) / Retained profits	(4,555,367)	(2,099,674)
<b>TOTAL EQUITY</b>	<b>(4,555,364)</b>	<b>(2,099,671)</b>
<b>LIABILITIES</b>		
<b>Non-current liability</b>		
Term loan	85,117,749	14,483,731
<b>Total non-current liability</b>	<b>85,117,749</b>	<b>14,483,731</b>
<b>Current liabilities</b>		
Other payables and accruals	8,200	7,500
Amount owing to holding company	15,208,413	20,566,733
Amount owing to directors	1,420,000	1,700,000
Term loan	1,420,000	516,269
Tax liabilities	-	16,000
<b>Total current liabilities</b>	<b>18,056,613</b>	<b>22,806,502</b>
<b>TOTAL LIABILITIES</b>	<b>103,174,362</b>	<b>37,290,233</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>98,618,998</b>	<b>35,190,562</b>

As at the LPD, save for the acquisition of the Blossom Group, there is no known material change in the financial position of Doh Properties subsequent to the latest audited financial statements of Doh Properties for the FYE 31 December 2018.

**8. ACCOUNTING POLICIES**

The audited financial statements of Doh Properties for the FYE 31 December 2017, FYE 31 December 2018 and unaudited financial statements of Doh Properties for the FYE 31 December 2019 have been prepared based on approved accounting standards in Malaysia and there was no audit qualification for Doh Properties' financial statements for the audited financial years under review.

There is no change in the accounting standards adopted by Doh Properties which would result in a material variation to the comparable figures for the audited financial statements of Doh Properties for the FYE 31 December 2017, FYE 31 December 2018 and unaudited financial statements of Doh Properties for the FYE 31 December 2019.

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**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

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**(C) DDJM****1. NAME**

Dato' Doh Jee Ming

**2. NATIONALITY**

Malaysian

**3. PROFILE**

DDJM holds a Master of Business Administration from the International Teaching University of Georgia, Netherlands. He has accumulated more than 17 years of working experience in property development and construction business.

DDJM also owns and holds directorships in several private limited companies in the business of housing and property development, provision of hotel services, food and beverages, and education services where he has been actively involved in their management and operations and has steered the growth of these companies. He is also a life corporate member of the Perak Chinese Chamber of Commerce and Industry.

He is the brother of DDTL and DDJC, and the son of DDNC and DLHK.

**4. DIRECTORSHIPS AND/OR SHAREHOLDINGS**

As at the LPD, DDJM holds the following directorships and shareholdings in the relevant companies in respect of the Proposed Acquisitions and Proposed Exemption:-

<b>Name of company</b>	<b>Directorship</b>	<b>Shareholding</b>
(i) DBE	Managing Director	2.03% direct equity interest and 33.11% indirect equity interest by virtue of his shareholding in Setia Awan
(ii) Lagenda	Director	33.33% direct equity interest
(iii) Setia Awan	Director	30.00% direct equity interest
(iv) Doh Properties	Director	100.00% indirect equity interest by virtue of his shareholding in Setia Awan
(v) Blossom	Director	100.00% indirect equity interest by virtue of his shareholding in Setia Awan
(vi) Rantau	Director	33.00% direct equity interest
(vii) Yik Wang	Director	30.00% direct equity interest

Save for his directorship and shareholding in DBE, DDJM does not hold any directorships or substantial shareholdings in other public listed companies in Malaysia as at the LPD.

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**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

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**(D) DDTL****1. NAME**

Dato' Doh Tee Leong

**2. NATIONALITY**

Malaysian

**3. PROFILE**

DDTL holds a Bachelor of Science (Hons) in Civil Engineering from the Ohio State University, United States of America. He has accumulated more than 17 years of experience in property development and construction-related businesses. He started his career as a Marketing Manager in Pangkor Coral Bay Resort in 1998 and also owns and holds directorships in several private limited companies mainly in the property development and construction sectors.

He is the brother of DDJM and DDJC, and the son of DDNC and DLHK.

**4. DIRECTORSHIPS AND/OR SHAREHOLDINGS**

As at the LPD, DDTL holds the following directorships and shareholdings in the relevant companies in respect of the Proposed Acquisitions and Proposed Exemption:-

<b>Name of company</b>	<b>Directorship</b>	<b>Shareholding</b>
(i) DBE	Non-Independent Non-Executive Chairman	33.11% indirect equity interest by virtue of his shareholding in Setia Awan
(ii) Lagenda	Director	33.33% direct equity interest
(iii) Setia Awan	Director	30.00% direct equity interest
(iv) Doh Properties	Director	100.00% indirect equity interest by virtue of his shareholding in Setia Awan
(v) Blossom	Director	100.00% indirect equity interest by virtue of his shareholding in Setia Awan
(vi) Rantau	Director	33.00% direct equity interest
(vii) Yik Wang	Director	30.00% direct equity interest

Save for his directorship and shareholding in DBE, DDTL does not hold any directorships or substantial shareholdings in other public listed companies in Malaysia as at the LPD.

**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)****(E) DDJC****1. NAME**

Dato' Doh Jee Chai

**2. NATIONALITY**

Malaysian

**3. PROFILE**

DDJC holds a Bachelor of Science in Econometrics from the University of Bath, United Kingdom and has vast experience in development of residential, commercial and resort projects for the past 20 years. He also owns and holds directorships in several private limited companies and draws on his expertise to oversee the marketing and administrative aspects of these companies.

He is the brother of DDJM and DDTL, and the son of DDNC and DLHK.

**4. DIRECTORSHIPS AND/OR SHAREHOLDINGS**

As at the LPD, DDJC holds the following directorships and shareholdings in the relevant companies in respect of the Proposed Acquisitions and Proposed Exemption:-

<b>Name of company</b>	<b>Directorship</b>	<b>Shareholding</b>
(i) DBE	Non-Independent Non-Executive Director	33.11% indirect equity interest by virtue of his shareholding in Setia Awan
(ii) Lagenda	Director	33.33% direct equity interest
(iii) Setia Awan	Director	30.00% direct equity interest
(iv) Doh Properties	Director	100.00% indirect equity interest by virtue of his shareholding in Setia Awan
(v) Blossom	Director	100.00% indirect equity interest by virtue of his shareholding in Setia Awan
(vi) Rantau	Director	34.00% direct equity interest
(vii) Yik Wang	Director	30.00% direct equity interest

Save for his directorship and shareholding in DBE, DDJC does not hold any directorships or substantial shareholdings in other public listed companies in Malaysia as at the LPD.



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**ATTACHMENT II – INFORMATION ON LAGENDA AND PACs (cont'd)**

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**(F) DDNC****1. NAME**

Dato' Doh Neng Chiong

**2. NATIONALITY**

Malaysian

**3. PROFILE**

He is the father of DDJM, DDTL and DDJC, and the spouse of DLHK.

**4. DIRECTORSHIPS AND/OR SHAREHOLDINGS**

As at the LPD, DDNC holds 5% direct equity interest in Setia Awan and Yik Wang.

DDNC does not hold any directorships or substantial shareholdings in any public listed companies in Malaysia as at the LPD.

**(G) DLHK****1. NAME**

Datin Lee Hong King

**2. NATIONALITY**

Malaysian

**3. PROFILE**

She is the mother of DDJM, DDTL and DDJC, and the spouse of DDNC.

**4. DIRECTORSHIPS AND/OR SHAREHOLDINGS**

As at the LPD, DLHK holds 5% direct equity interest in Setia Awan and Yik Wang.

DLHK does not hold any directorships or substantial shareholdings in any public listed companies in Malaysia as at the LPD.

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## ATTACHMENT III – FURTHER INFORMATION

### 1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

#### 1.1 By Lagenda and the persons acting in concert with it

##### (i) Interests in DBE

Save as disclosed below, Lagenda and the persons acting in concert with it do not have any interest, whether direct or indirect, in any voting shares or convertible securities of DBE as at the LPD:-

##### DBE Shares

Name	Direct		Indirect	
	No. of DBE Shares	% <sup>(1)</sup>	No. of DBE Shares	% <sup>(1)</sup>
Doh Properties	939,280,220	33.11	-	-
Setia Awan	-	-	939,280,220 <sup>(2)</sup>	33.11
DDJM	57,520,000	2.03	939,280,220 <sup>(3)</sup>	33.11
DDTL	-	-	939,280,220 <sup>(3)</sup>	33.11
DDJC	-	-	939,280,220 <sup>(3)</sup>	33.11

##### Notes:-

(1) Computed based on the total number of 2,837,229,306 DBE Shares as at the LPD.

(2) Deemed interested pursuant to Section 8 of the Act by virtue of its shareholding in Doh Properties.

(3) Deemed interested pursuant to Section 8 of the Act by virtue of his shareholding in Setia Awan, which in turn holds 100% equity interest in Doh Properties.

##### Warrants B

As at the LPD, Lagenda and the persons acting in concert with it do not hold any Warrants B.

##### (ii) Dealings in the securities of DBE

Lagenda and the persons acting in concert with it have not dealt, directly or indirectly, in any voting shares or convertible securities of DBE during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

#### 1.2 By the directors of Lagenda, Setia Awan and Doh Properties

As at the LPD, the directors of Lagenda, Setia Awan and Doh Properties are DDJM, DDTL and DDJC.

##### (i) Interests in DBE

The interests of the directors of Lagenda, Setia Awan and Doh Properties in the voting shares and convertible securities of DBE as at the LPD are set out in Section 1.1(i) of this Attachment III.

##### (ii) Dealings in the securities of DBE

The directors of Lagenda, Setia Awan and Doh Properties have not dealt, directly or indirectly, in any voting shares or convertible securities of DBE during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

**1.3 By the persons who have irrevocably committed themselves to vote in favour or against the Proposals**

As at the LPD, there are no persons who have irrevocably committed themselves to vote in favour or against the Proposals.

**1.4 By the persons with whom Lagenda or any persons acting in concert with it has any arrangement over the DBE Shares and Warrants B**

As at the LPD, there are no persons with whom Lagenda or any persons acting in concert with it has entered into any arrangement, including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing with the DBE Shares and Warrants B.

**1.5 By the persons with whom Lagenda or any persons acting in concert with it has borrowed or lent**

As at the LPD, there are no persons with whom Lagenda or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of DBE.

**1.6 By DBE**

**(i) Interests in Lagenda, Setia Awan and Doh Properties**

DBE does not have any interest, whether direct or indirect, in any voting shares or convertible securities of Lagenda, Setia Awan and Doh Properties as at the LPD.

**(ii) Dealings in the securities of Lagenda, Setia Awan and Doh Properties**

DBE has not dealt, directly or indirectly, in any voting shares or convertible securities of Lagenda, Setia Awan and Doh Properties during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

**(iii) Purchase of the securities of DBE**

DBE has not purchased, directly or indirectly, any of its own voting shares or convertible securities during the period commencing 6 months prior to the announcement of the Proposals and up to the LPD.

**1.7 By the Directors of DBE**

**(i) Interests in Lagenda, Setia Awan and Doh Properties**

Save as disclosed below, the Directors of DBE do not have any interest, whether direct or indirect, in any voting shares or convertible securities of Lagenda, Setia Awan and Doh Properties as at the LPD:-

Ordinary shares in Lagenda

Name	Direct		Indirect	
	No. of shares	% <sup>(1)</sup>	No. of shares	% <sup>(1)</sup>
DDJM	1	33.33	-	-
DDTL	1	33.33	-	-
DDJC	1	33.33	-	-

Note:-

(1) Computed based on the total number of 3 ordinary shares in Lagenda as at the LPD.

**ATTACHMENT III – FURTHER INFORMATION (cont'd)****Ordinary shares in Setia Awan**

Name	Direct		Indirect	
	No. of shares	% <sup>(1)</sup>	No. of shares	% <sup>(1)</sup>
DDJM	1,500,000	30.00	-	-
DDTL	1,500,000	30.00	-	-
DDJC	1,500,000	30.00	-	-

**Note:-**

(1) Computed based on the total number of 5,000,000 ordinary shares in Setia Awan as at the LPD.

**Ordinary shares in Doh Properties**

Name	Direct		Indirect	
	No. of shares	% <sup>(1)</sup>	No. of shares	% <sup>(1)</sup>
DDJM	-	-	3 <sup>(2)</sup>	100.00
DDTL	-	-	3 <sup>(2)</sup>	100.00
DDJC	-	-	3 <sup>(2)</sup>	100.00

**Notes:-**

(1) Computed based on the total number of 3 ordinary shares in Doh Properties as at the LPD.

(2) Deemed interested pursuant to Section 8 of the Act by virtue of his shareholding in Setia Awan, which in turn holds 100% equity interest in Doh Properties.

**(ii) Dealings in the securities of Lagenda, Setia Awan and Doh Properties**

The Directors of DBE have not dealt, directly or indirectly, in any voting shares or convertible securities of Lagenda, Setia Awan and Doh Properties during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

**(iii) Interests in DBE**

Save for the interests of DDJM, DDTL and DDJC as set out in Section 1.1(i) of this Attachment III, the Directors of DBE do not have any interest, whether direct or indirect, in any voting shares or convertible securities of DBE as at the LPD.

**(iv) Dealings in the securities of DBE**

The Directors of DBE have not dealt, directly or indirectly, in any voting shares or convertible securities of DBE during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

**1.8 By the persons with whom DBE or any persons acting in concert with it has any arrangement over the DBE Shares and Warrants B**

As at the LPD, there are no persons with whom DBE or any persons acting in concert with it has entered into any arrangement, including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing with the DBE Shares and Warrants B.

**1.9 By the persons with whom DBE or any persons acting in concert with it has borrowed or lent**

As at the LPD, there are no persons with whom DBE or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of DBE.

**1.10 By Mercury Securities and funds whose investments are managed by Mercury Securities on a discretionary basis (“Discretionary Funds”)**

Interests in DBE

Mercury Securities and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of DBE as at the LPD.

**2. ARRANGEMENT AFFECTING DIRECTORS OF DBE**

- (i) As at the LPD, save for the Total Considerations and any loans or advances provided to the Target Companies after 31 December 2019 which shall be settled pursuant to the Proposed Acquisitions, no payment or other benefit will be made or given to any Director of DBE as compensation for loss of office or otherwise in connection with the Proposals.
- (ii) As at the LPD, there is no agreement or arrangement between any Director of DBE and any other person which is conditional on or dependent upon the outcome of the Proposals or otherwise connected with the outcome of the Proposals.
- (iii) As at the LPD, Lagenda and the persons acting in concert with it have not entered into any material contract in which any non-interested Director of DBE has a material personal interest. By virtue of the directorships and shareholdings of the Interested Directors in Lagenda, Setia Awan and Doh Properties, they are deemed interested in all material contracts of Lagenda and the persons acting in concert with it.
- (iv) As at the LPD, no agreement, arrangement or understanding exists between Lagenda or any persons acting in concert with it and any of the Directors or recent Directors of DBE, holders of voting shares or voting rights or recent holders of voting shares or voting rights of DBE having any connection with or dependence upon the Proposals.

For the purpose of this paragraph, the term “recent Directors” or “recent holders of voting shares or voting rights” shall be such person who was during the period beginning 6 months prior to the announcement of the Proposals, a Director or a holder of voting shares or voting rights, as the case may be, of DBE.

**3. SERVICE CONTRACTS**

As at the LPD, the DBE Group does not have any service contracts with any directors or proposed directors, which have been entered into or amended within 6 months before the announcement of the Proposals or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAL.

**PART C**

**LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED  
CHANGE OF NAME**



**D.B.E. GURNEY RESOURCES BERHAD**  
Registration No: 200101000008 (535763-A)  
(Incorporated in Malaysia)

**Registered Office:**

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

22 June 2020

**Board of Directors**

Dato' Doh Tee Leong (*Non-Independent Non-Executive Chairman*)

Dato' Doh Jee Ming (*Managing Director*)

Dato' Doh Jee Chai (*Non-Independent Non-Executive Director*)

Mohamad Ali Bin Ariffin (*Independent Non-Executive Director*)

Looi Sze Shing (*Independent Non-Executive Director*)

**To: The Shareholders**

Dear Sir / Madam,

**PROPOSED CHANGE OF NAME**

---

**1. INTRODUCTION**

On 3 June 2020, DBE announced that the Board proposed to change the Company's name from "D.B.E. Gurney Resources Berhad" to "Lagenda Properties Berhad".

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED CHANGE OF NAME AND TO SEEK YOUR APPROVAL ON THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED CHANGE OF NAME WHICH WILL BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX HEREIN BEFORE VOTING ON THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED CHANGE OF NAME TO BE TABLED AT THE FORTHCOMING EGM.**

## **2. DETAILS AND RATIONALE FOR THE PROPOSED CHANGE OF NAME**

The Proposed Change of Name is undertaken to better reflect the Company's corporate identity as a property developer. This will also assist in the Company's future profiling and branding going forward as a player in the property development industry.

## **3. EFFECTS OF THE PROPOSED CHANGE OF NAME**

The Proposed Change of Name will not have any effect on the share capital and shareholdings of substantial shareholders of DBE, earnings, net assets and gearing of DBE Group.

## **4. CONDITIONS OF THE PROPOSED CHANGE OF NAME**

The use of the proposed name, "Lagenda Properties Berhad", has been reserved and approved by the CCM on 21 January 2020 which was valid for a period of 30 days up to 20 February 2020 ("**Validity Period**"). Subsequently, the Validity Period was extended to 19 July 2020. The Proposed Change of Name is subject to the approval of the Shareholders at the forthcoming EGM.

The Proposed Change of Name is not inter-conditional with the Proposals.

The Proposed Change of Name, if approved by the Shareholders, will be effective from the date of issuance of the Notice of Registration of New Name by the CCM to the Company.

## **5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the directors and/or major shareholders of DBE and/or persons connected to them has any interest, direct or indirect, in the Proposed Change of Name.

## **6. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Proposed Change of Name, is of the opinion that the Proposed Change of Name is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the special resolution for the Proposed Change of Name to be tabled at the forthcoming EGM to be convened.

## **7. EGM**

The EGM of DBE, the Notice of which is available on the Company's website at [www.dbegurney.com](http://www.dbegurney.com) will be held fully virtual and entirely via remote participation and voting at the Broadcast Venue: Level 1, Conference Room, No. 131, Persiaran PM 2/1, Pusat Bandar Seri Manjung Seksyen 2, 32040 Seri Manjung, Perak Darul Ridzuan on Tuesday, 14 July 2020 at 11:30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed Change of Name as described therein.



If you are unable to participate at the EGM, you are requested to complete, sign and return the Proxy Form available at:-

- (iii) Company's website [http://www.dbegurney.com/company\\_investor\\_financial\\_info.html](http://www.dbegurney.com/company_investor_financial_info.html);  
or
- (iv) Bursa Securities' website:  
[https://www.bursamalaysia.com/market\\_information/announcements/company\\_announcement?keyword=&cat=CS%2CCSCO&sub\\_type=&company=7179&mkt=&alph=&sec=&subsec=&dt ht=&dt lt=](https://www.bursamalaysia.com/market_information/announcements/company_announcement?keyword=&cat=CS%2CCSCO&sub_type=&company=7179&mkt=&alph=&sec=&subsec=&dt ht=&dt lt=)

in accordance with the instructions printed thereon as soon as possible, 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 or submitted electronically through <https://web.vote2u.app>, not less than forty-eight (48) hours before the time for holding the EGM or at any adjournment thereof

The completion and lodgement of the Proxy Form will not preclude you from participating and voting at the EGM should you subsequently decide to do so.

The EGM will be conducted fully virtual at the Broadcast Venue, the members are advised to refer to the Administrative Guide for Shareholders in Appendix IX of this Circular on the registration and voting process for the EGM.

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

**LOOI SZE SHING**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

## APPENDIX I – INFORMATION ON THE TARGET COMPANIES

### 1. Blossom

#### 1.1 Background Information

Blossom was incorporated in Malaysia on 17 October 2008 as a private limited company under the Companies Act 1965 and is deemed registered under the Act.

Blossom Group is principally engaged in the business of property development. For information purposes, the recent major property development projects completed by Blossom Group up to December 2019 are as follows:-

No.	Name	Description of Project	Type of Project	GDV (RM'million)	Commencement Date / Completion Date	Sales Status
1.	D'Lux Residensi-Lavendar Heights, Senawang, Negeri Sembilan	16 units consisting of double storey and triple storey bungalows	Residential	27	October 2015 / June 2018	Fully sold
2.	Phase 1 and 2 of Taman Mulia	72 units of double storey townhouses ("Phase 1"), 27 units of single storey terraced houses and 54 units of double storey terraced houses ("Phase 2")	Residential	56	March 2015 / May 2017	Phase 1: 86% Phase 2: 75%
3.	Phase 1 and 2 of Tronoh Akasia	104 units of townhouses and 36 units of single storey semi-detached houses	Residential	37	June 2015 / September 2018	Fully sold
4.	Phase 4 of Setia Residence	123 units of double storey terraced houses	Residential	58	January 2015 / December 2016	84%
5.	Phase 5 of Setia Residence	14 units of double storey terrace houses, 14 units of double storey shop offices and 6 units of three storey shop offices	Residential / Commercial	25	September 2015 / November 2017	76%
6.	Phase 1A of BBSAP	1,147 units of single storey terrace houses	Residential	176	June 2016 / April 2019	99%

## APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)

### 1.2 Share Capital

The existing issued share capital of Blossom as at the LPD is RM50,500,000 comprising 50,500,000 ordinary shares in Blossom.

### 1.3 Shareholdings

The substantial shareholders of Blossom as well as their respective shareholding as at the LPD are as follows:-

Name	Nationality / Country of Incorporation	Direct		Indirect	
		No. of Blossom Shares	%	No. of Blossom Shares	%
Doh Properties	Malaysia	50,500,000	100	-	-
DDJM	Malaysian	-	-	50,500,000 <sup>(i)</sup>	100
DDTL	Malaysian	-	-	50,500,000 <sup>(i)</sup>	100
DDJC	Malaysian	-	-	50,500,000 <sup>(i)</sup>	100
Setia Awan	Malaysia	-	-	50,500,000 <sup>(ii)</sup>	100

**Notes:-**

- (i) Deemed interested pursuant to Section 8 of the Act by virtue of their shareholdings in Setia Awan, which in turns 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.

### 1.4 Directors' shareholdings

As at the LPD, the directors of Blossom are DDJM, DDTL and DDJC. Their particulars as well as their shareholdings are set out in Section 1.3 above.

### 1.5 Subsidiaries and Associated Companies

Name of Subsidiaries	Place / Date of Incorporation	Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Taraf	Malaysia / 3 November 2014	4,200,000	100	Property development and construction works
Triprise	Malaysia / 28 December 1994	1,000,000	60	Property development

### 1.6 Historical Financial Information

A summary of the historical financial information of Blossom Group based on its audited financial statements for the FYE 31 December 2017 to FYE 31 December 2019 is as follows:-

	Audited FYE 31 December		
	2017 restated (RM'000)	2018 restated (RM'000)	2019 (RM'000)
Revenue	199,746	459,948	462,785
PBT	43,525	111,143	140,191
Profit attributable to holding company	29,003	79,801	96,060
NA attributable to shareholders	74,191	157,000	311,895
Non-controlling interests	12,809	15,517	9,718
NA	87,000	172,517	321,614

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

	Audited FYE 31 December		
	2017 restated (RM'000)	2018 restated (RM'000)	2019 (RM'000)
Total borrowings	54,766	105,136	94,764
Share capital	500	500	50,500
No. of Blossom shares issued	500	500	50,500
NA attributable to shareholders per share (RM)	148.38	314.00	6.18
Net EPS (RM)	58.01	159.60	1.90
Current ratio (times)	1.05	1.35	2.12
Gearing ratio (times)	0.74	0.67	0.30

**1.6.1. Commentaries for financial performance**

**FYE 31 December 2018 vs FYE 31 December 2017**

The Blossom Group's revenue increased by approximately RM260.20 million for the FYE 31 December 2018, representing an increase of 130.27% as compared to the FYE 31 December 2017. The increase in revenue was mainly due to recognition of revenue from Phase 1C and Phase 1D of BBSAP.

Blossom Group recorded a profit attributable to shareholders of approximately RM79.80 million for the FYE 31 December 2018, representing an increase of 175.15% as compared to the FYE 31 December 2017, in tandem with the increase in the revenue, as highlighted above.

In addition, the NA attributable to shareholders for Blossom Group increased from RM74.19 million as at 31 December 2017 to RM157.00 million as at 31 December 2018, mainly due to profit achieved during the financial year.

The total borrowings of Blossom Group as at 31 December 2018 increased from RM54.77 million to RM105.14 million, mainly due to Blossom Group obtaining bank borrowings to fund the acquisition of Teluk Intan Land and parcels of land in BBSAP.

**FYE 31 December 2019 vs FYE 31 December 2018**

Blossom Group's revenue remain relatively stable for the FYE 31 December 2019 as compared to FYE 31 December 2018. The revenue for the FYE 31 December 2019 of RM462.79 million was mainly contributed from the progress billings from the development of the on-going phases of BBSAP.

Notwithstanding the relatively unchanged revenue, the Blossom Group's profit attributable to holding company for the FYE 31 December 2019 has increased by approximately by RM16.25 million or 20.37% mainly due to the improvement in Blossom Group's gross profit margin attributable to the lower cost of sales incurred during the year. The reduction in development cost recorded in the FYE 31 December 2019 was mainly due to the near completion of Phase 1C and Phase 1D of BBSAP in FYE31 December 2019 which carries a lower contract sum.

The NA attributable to shareholders for Blossom Group as at 31 December 2019 increased by approximately RM154.90 million, representing an increase of 98.66% as compared to 31 December 2018, mainly due to (i) profit achieved during the financial year of RM96.06 million; and (ii) issuance of 50.00 million new ordinary shares in Blossom to Doh Properties.

**1.6.2. Accounting policies and audit qualification**

For the past three (3) FYEs 31 December 2017, 31 December 2018 and 31 December 2019 under review:-

- (i) there were no exceptional or extraordinary items;
- (ii) there are no accounting policies adopted by Blossom which are peculiar to Blossom due to the nature of its business or the industry in which it is involved in; and
- (iii) Blossom's external auditors had not issued any audit qualification on its financial statements

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**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

**1.7 Information on Blossom Group Properties**

(i) BBSAP

BBSAP			
Name	Inventory	On-going Developments / Lands with Development Approval	Vacant Lands
<p><b>Description / Existing / Proposed usage</b></p>	<ul style="list-style-type: none"> <li>Phase 1A: 6 units of completed, unsold and vacant single-storey terraced house</li> </ul>	<ul style="list-style-type: none"> <li>Phase 1C: An on-going residential development comprising 1,476 units of single-storey cluster house and 16 units of single-storey detached houses</li> <li>Phase 1D: An on-going mixed development comprising 1,555 units of single-storey terraced house, 28 units of double storey terraced shop offices and 1 vacant commercial lot</li> <li>Phase 2A &amp; 2C: An on-going mixed development comprising 219 units of double-storey terraced shop office, 996 units of single-storey cluster semi-detached house, 6 units of single-storey semi-detached house, 15 units of single-storey detached houses, 1 plot of commercial land and 1 plot of petrol station land</li> </ul>	<ul style="list-style-type: none"> <li>4 parcels of residential development lands</li> <li>7 parcels of vacant agriculture lands</li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<ul style="list-style-type: none"> <li>Phase 2D: A parcel of residential land approved for the development of 1,160 units of single-storey cluster semi-detached houses and 8 units of single-storey detached houses</li> <li>Phase 2B: An on-going residential development comprising 829 units of single-storey terraced houses</li> <li>Phase 3A: A parcel of residential development land currently in the midst of approval for 1,074 units of single-storey terrace houses, 53 units of single storey shop-offices and 2 vacant commercial plot</li> <li>Phase 3B: An on-going residential development comprising 1,241 units of single-storey terraced houses and 2 units of single-storey semi-detached houses</li> </ul>	
<b>Beneficial owner</b>	Blossom, in respect of titles not currently registered under Blossom <sup>(i)</sup>		
<b>Registered owner</b>	Ladang Awana Sdn Bhd <sup>(i)</sup>	<p>Phase 1C, 1D, 2A, 2C and 2D: Ladang Awana<sup>(i)</sup></p> <p>Phase 2B, 3A and 3B: Blossom</p>	<ul style="list-style-type: none"> <li>Residential land: Blossom in regards to PT48440, PT48441 and Lot 75394 held under HSD48250, HSD48251 and GRN181976 respectively</li> <li>Ladang Awana in regards to Lot 75390 held under GRN 181972<sup>(i)</sup></li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

			<ul style="list-style-type: none"> <li>• Agriculture Land Blossom in regards to PT75257 to PT75260 held under GRN181837 to GRN18141 respectively</li> <li>• Ladang Awana in regards to PT42255 held under HSD40675, PT75314 held under GRN181895 and PT75315 held under GRN181896</li> </ul>
<p><b>Identification (Title and Lot No)</b></p> <ul style="list-style-type: none"> <li>• PT44357 to PT44360 held under HSD44113 to HSD44116</li> <li>• PT45606 held under HSD45362</li> <li>• PT45811 held under HSD45567</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 1C: PT46884 to PT48375 held under HSD 46840 to HSD48131 respectively</li> <li>• Phase 1D: 1,555 units of single storey terrace house: PT44794 to PT45329 held under HSD44550 to HSD45085 respectively, PT45865 to PT46883 held under HSD45621 to HSD46639 respectively, 28 units of double storey terraced house: PT45837 to PT45864 held under HSD45593 to HSD45620 respectively, Vacant commercial lot: PT45836 held under HSD45592</li> </ul>	<ul style="list-style-type: none"> <li>• Vacant residential land: PT48440, PT48441, Lot 75390 and Lot 75394 held under HSD48250, HSD48251, GRN 181972 and GRN181976</li> <li>• Vacant agriculture land: PT42255, PT75257 to PT75260, PT 75314, PT75315 held under title HSD40675, GRN 181837, GRN181838, GRN181840 GRN 181841, GRN 181895 and GRN 181896, respectively</li> </ul>	



**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

			<ul style="list-style-type: none"> <li>Phase 2A, 2C and 2D: Lot75392 held under GRN 181974</li> <li>Phase 2B: Lot75261 held under GRN 181842</li> <li>Phase 3A: PT48443 held under HSD 48253</li> <li>Phase 3B: PT48442 held under HSD48252</li> </ul>	
<b>Location</b>	Subject property is located within Bandar Baru Setia Awan Perdana, Mukim Setiawan, District of Manjung, Perak Darul Ridzuan			
<b>Buildings erected and building age</b>	<ul style="list-style-type: none"> <li>6 units of single-storey terraced house with building age of approximately 0.68 years</li> </ul>	None	None	None
<b>Land area (square meters)</b>	501.66 (built-up)	<ul style="list-style-type: none"> <li>Phase 1C: 285,757</li> <li>Phase 1D: 211,993</li> <li>Phase 2A, 2C and 2D: 913,900</li> <li>Phase 2B: 245,100</li> <li>Phase 3A: 296,477</li> <li>Phase 3B: 286,910</li> </ul>	<ul style="list-style-type: none"> <li>Vacant residential land: 485,546</li> <li>Vacant agriculture land: 1,370,541</li> </ul>	
<b>Tenure of land (years)</b>	Freehold	Freehold	Freehold	Freehold
<b>Category of land use</b>	Building	Building	Building	<ul style="list-style-type: none"> <li>Vacant residential land: Building</li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

				<ul style="list-style-type: none"> <li>• Vacant agriculture land: Agriculture (Note (B) as set out in Page 227 of this Circular)</li> </ul>
<b>Occupancy rate (%)</b>	N/A	N/A	N/A	N/A
<b>Net lettable area (sq meters)</b>	N/A	N/A	N/A	N/A
<b>Detail of potential development</b>	N/A		An on-going township development known as Bandar Baru Setia Awan Perdana (BBSAP) comprising a total of over 8,000 residential units and commercial lots together with parcels of lands for future development	N/A
<b>Total GDV (as per valuation report)</b>	N/A		<ul style="list-style-type: none"> <li>• Phase 1C: RM282.89 million</li> <li>• Phase 1D: RM279.30 million</li> <li>• Phase 2A &amp; 2C: RM295.05 million</li> <li>• Phase 2D: RM264.92 million</li> <li>• Phase 2B: RM158.09 million</li> <li>• Phase 3A: RM217.38 million</li> <li>• Phase 3B: RM234.61 million</li> </ul> Total GDV: RM1,732.24 million	N/A
<b>Total GDC (as per valuation report)</b>	N/A		<ul style="list-style-type: none"> <li>• Phase 1C: RM167.50 million</li> <li>• Phase 1D: RM161.10 million</li> <li>• Phase 2A &amp; 2C: RM178.42 million</li> </ul>	N/A

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<ul style="list-style-type: none"> <li>• Phase 2D: RM193.90 million</li> <li>• Phase 2B: RM96.26 million</li> <li>• Phase 3A: RM179.96 million</li> <li>• Phase 3B: RM163.02 million</li> </ul> <p>Total GDC: RM1,140.16 million</p>	
<b>Total balance development cost (inclusive of developer's profit)</b>	N/A	<ul style="list-style-type: none"> <li>• Phase 1C: RM19.82 million</li> <li>• Phase 1D: RM23.51 million</li> <li>• Phase 2A &amp; 2C: RM140.57 million</li> <li>• Phase 2D: RM185.14 million</li> <li>• Phase 2B: RM38.72 million</li> <li>• Phase 3A: RM172.38 million</li> <li>• Phase 3B: RM151.85 million</li> </ul> <p>Total balance development cost: RM731.99 million</p>	N/A
<b>Commencement / expected date of completion of development</b>	N/A	<ul style="list-style-type: none"> <li>• Phase 1C – February 2017 / January 2020</li> <li>• Phase 1D – February 2017 / January 2020</li> <li>• Phase 2A – Yet to be determined</li> <li>• Phase 2C – October 2018 / May 2021</li> </ul>	N/A

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<ul style="list-style-type: none"> <li>Phase 2D – February 2020 / May 2022</li> <li>Phase 2B – February 2018 / December 2020</li> <li>Phase 3A – June 2020 / June 2022</li> <li>Phase 3B – January 2019 / August 2021</li> </ul>	
		<ul style="list-style-type: none"> <li>Phase 1C: RM115.39 million</li> <li>Phase 1D: RM118.20 million</li> <li>Phase 2A &amp; 2C: RM116.64 million</li> <li>Phase 2D: RM71.01 million</li> <li>Phase 2B: RM61.83 million</li> <li>Phase 3A: RM37.42 million</li> <li>Phase 3B: RM71.59 million</li> </ul> <p>Total gross development profits: RM592.08</p>	N/A
<b>Total expected gross development profits (excluding land cost)</b>	N/A		
<b>Percentage of sales as at the valuation date</b>	N/A	<ul style="list-style-type: none"> <li>Phase 1C: 99%</li> <li>Phase 1D: 93%</li> <li>Phase 2A &amp; 2C: 71%</li> <li>Phase 2D: N/A, designated for future development</li> </ul>	N/A

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<ul style="list-style-type: none"> <li>Phase 2B: 84%</li> <li>Phase 3A: N/A, designated for future development</li> <li>Phase 3B: 50%</li> </ul>	
<b>Stage of completion as at date of valuation</b>	Completed	<ul style="list-style-type: none"> <li>Phase 1C: 97%</li> <li>Phase 1D: 96%</li> <li>Phase 2A &amp; 2C: 24%</li> <li>Phase 2D: N/A, designated for future development</li> <li>Phase 2B: 73%</li> <li>Phase 3A: N/A, designated for future development</li> <li>Phase 3B: 3%</li> </ul>	N/A
<b>Source of funds to finance development cost</b>	N/A	Borrowings and/or internal generated funds	N/A
<b>Relevant approvals obtained and date obtained</b>	<ul style="list-style-type: none"> <li>Certificate of Completion and Compliance obtained dated 25 April 2019</li> </ul>	<ul style="list-style-type: none"> <li>Phase 1C: (a) Planning permission approval obtained dated 28 July 2017 (b) Building plan approval obtained dated 16 February 2017</li> </ul>	N/A

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<ul style="list-style-type: none"> <li>• Phase 1D: (a) Planning permission approval obtained dated 13 August 2015, 11 October 2016 and 2 July 2019 (b) Building plan approval obtained dated 13 April 2017 and 29 July 2019</li> <li>• Phase 2A: (a) Planning Permission Letter obtained dated 11 August 2017 for 56 units of double storey shop office. (b) Building plan approval obtained date 28 November 2017 for 56 units of double storey shop office. The application of the planning and building plan approval for the remaining 163 units of double storey shop office will be submitted once the launch date is confirmed</li> <li>• Phase 2C: (a) Planning Permission approval obtained dated 23 July 2018 for 996 units of single storey-storey cluster houses, 6 units of single-storey semi-detached house and 7 units of units of single-storey detached house. (b) Building plan approval obtained for 996 units of single-storey cluster houses, 6 units of single-storey semi-detached house and 7 units of single-storey detached house.</li> </ul>	
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**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<p>The application of the planning permission and building plan approval for the remaining 8 units of single-storey detached house will be submitted once the launch date is confirmed</p> <ul style="list-style-type: none"> <li>• Phase 2D: Planning permission approval obtained dated 4 November 2019. The Building plan application will be submitted once the launch date is determined</li> <li>• Phase 2B: (a) Planning permission approval obtained dated 8 September 2017 (b) Building plan approval obtained dated 28 November 2017</li> <li>• Phase 3A: Application for planning approval will be submitted once launch date has been determined</li> <li>• Phase 3B: (a) Planning permission approval obtained dated 15 February 2019 (b) Building plan approval obtained dated 4 March 2019</li> </ul>	
<p><b>Express conditions</b></p>	<p>"Kediaman – Rumah Teres"</p>	<ul style="list-style-type: none"> <li>• Phase 1C:- In respect of all titles "Kediaman – Rumah Kluster" or "Kediaman – Rumah Sesebuah"</li> </ul>	<ul style="list-style-type: none"> <li>• PT48440, PT48441 and Lot 75394 held under HSD48250, HSD48251 and GRN181976: "Kediaman – Rumah Mampu Milik"</li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<ul style="list-style-type: none"> <li>Phase 1D:- PT44794 to PT46883 held under HSD44550 to HSD46639: "Kediaman Rumah Teres" PT45837 to PT45864 held under HSD45593 to HSD45620: "Perniagaan – Kedai Pejabat" PT45836 held under HSD45592: "Perniagaan – Tapak Perniagaan"   <ul style="list-style-type: none"> <li>Phase 2A, 2B, 2C and 2D: "Kediaman - Sebuah Rumah Kediaman"</li> <li>Phase 3A and 3B: "Kediaman - Rumah Mampu Milik"</li> </ul> </li> </ul>	<p>Lot 75390 held under GRN 181972 "Kediaman – Sebuah Rumah Kediaman"</p>
<p><b>Restriction-in-interest</b></p>	<ul style="list-style-type: none"> <li>"Tanah ini tidak boleh dipindah milik, dipajak, dicagar atau dibebankan tanpa kebenaran Menteri Besar Perak"</li> <li>"Tanah Simpanan Melayu dalam Kawasan Manjung" <sup>(ii)</sup></li> </ul>		
<p><b>Encumbrances</b></p>	<p>None</p>	<ul style="list-style-type: none"> <li>Phase 1C, 1D, 2A, 2C, 2B, 3B: None</li> <li>Phase 3A: Charged to CIMB Bank Berhad</li> </ul>	<ul style="list-style-type: none"> <li>Vacant residential lands: Lot75394 held under GRN181976, charged to CIMB Bank Berhad</li> <li>Vacant agriculture lands: Lot75257 to Lot75260 held under GRN181837, GRN181838, GRN181840 and Geran 181841 respectively, charged to Affin Islamic Bank Berhad</li> </ul>



**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>NBV as at 31 December 2019</b>	Note (A), as set out in Page 227 of this Circular		
<b>Valuation Date</b>	31 December 2019		
<b>Valuer</b>	Knight Frank Malaysia Sdn Bhd		
<b>Valuation</b>	RM1.26 million	<ul style="list-style-type: none"> <li>• Phase 1C: RM52.80 million</li> <li>• Phase 1D: RM63.30 million</li> <li>• Phase 2A &amp; 2C: 65.90 million</li> <li>• Phase 2D: RM58.10 million</li> <li>• Phase 2B: RM40.90 million</li> <li>• Phase 3A: RM32.80 million</li> <li>• Phase 3B: RM57.00 million</li> </ul> Total Valuation: RM370.80 million	<ul style="list-style-type: none"> <li>• Residential Land: RM64.60 million</li> <li>• Agriculture Land: RM43.90 million</li> </ul> Total Valuation: RM108.50 million
<b>Method(s) of valuation <sup>(ii)</sup></b>	(i) Comparison Method (ii) Cost Approach as cross check	<ul style="list-style-type: none"> <li>• Phase 1C, Phase 1D, Phase 2A &amp; 2C, Phase 2B Phase 3B: Income Approach (Residual Method)</li> <li>• Phase 2D and Phase 3A: Income Approach (Residual Method) and Comparison Method as cross check</li> </ul>	Comparison Method in respect of both vacant residential and agriculture lands

**Notes:-**

(i) As at the LPD, the sale and purchase agreement made between Nadi Agrobusiness Sdn Bhd (currently known as Ladang Awana Sdn Bhd) and Blossom has been completed pursuant to the terms and conditions contained therein. As at the date of valuation, all titles are intended to be transferred directly to the end buyers / are currently pending transfer to the end buyers, upon the sales of the respective units.

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

(ii) Pursuant to the letter issued by Pejabat Pengarah Tanah dan Galian, Negeri Perak Darul Ridzuan to Blossom dated 14 Jun 2019, it is stated that the ownership of such Malay reserve lands may be transferred between non-malays provided that the ownership of such lands are not registered under the name of a Malay.

(iii) Details of the valuation methods are as follows:-

No	Description	Methodology
1	Phase 1A	<p>In valuing the 6 units of completed and unsold properties, the Valuer has placed greater emphasis on the Comparison Approach because in a valuation of a homogeneous real estate such as vacant lands and residential homes, the comparison approach is the most appropriate method of valuation as there are less adjustments and analysis on comparables.</p> <p>The Cost Approach was adopted as a cross check. The cost approach provides an indication of value using the economic principle that a buyer will not pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction, unless undue time, inconvenience, risk or other factors are involved. This cost approach by summation method is founded on the economic principle of substitution and expressed in methodology as the value of the land plus the depreciated building value.</p>
2	Phase 1C	In valuing on-going developments that are under construction (Phase 1C, Phase 1D, Phase 2A & 2C, Phase 2B and Phase 3B), the Valuer has adopted one (1) method of valuation, the Income Approach by Residual Method.
3	Phase 1D	
4	Phase 2A & 2C	In regards to Phase 2D and Phase 3A, whereby these phases have been designated for future development, in addition to the Income Approach by Residual Method as the main method, the valuer has also adopted the Comparison Approach as a cross check.
5	Phase 2D	The Income Approach by Residual Method is based on the premise that the price which a purchaser can pay for a property is the present value of the surplus amount or residual value after deducting out the full cost of development (Gross Development Cost) and profit from the sales proceeds (Gross Development Value) of the completed development, which is then discounted at an appropriate rate to reflect the inherent risk and holding cost for the period of development to arrive at the current market value
6	Phase 2B	
7	Phase 3A	The comparison approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued (subject property) is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.
8	Phase 3B	

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

No	Description	Methodology
9	Vacant residential development lands	<i>In arriving at the market value of the vacant agriculture lands and residential lands (undeveloped parcels), the Valuer has adopted one (1) method of valuation, the Comparison Approach after having sufficient comparable properties in the locality.</i>
10	Vacant agriculture lands	

(ii) Taman Mulia

Taman Mulia		
Name	Taman Mulia	
Type	Inventory	Land with Development Approval
Description / Existing / Proposed usage	<ul style="list-style-type: none"> <li>Phase 1: 10 units of completed, unsold and vacant townhouse</li> <li>Phase 2: 4 units of completed, unsold and vacant single-storey terraced houses and 16 double-storey terraced houses</li> </ul>	<ul style="list-style-type: none"> <li>Phase 3: 144 residential plots, approved for the development of 144 units of single-storey terraced houses</li> <li>Phase 4a: 26 residential semi-detached plots and 12 residential detached plots approved for the development of 96 units of double-storey semi-detached townhouse and 2 units of single-storey detached house</li> <li>Phase 4b: 54 residential semi-detached plots and 16 residential detached plots approved for the development of 86 units of single-storey semi-detached townhouse and 6 units of single-storey detached house</li> </ul>
		Vacant Lands

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Beneficial owner</b>	N/A	
<b>Registered owner</b>	Triprise Sdn Bhd, in respect of all titles	
<b>Identification (Title and Lot No)</b>	<ul style="list-style-type: none"> <li>• Phase 1: Lot Nos. 72238, 72253, 72258, 72268, 72271, 72272, 72273 and 72292 held under GRN 167687, 167716, 167722, 167750, 167761, 167764, 167767 and 167665 respectively</li> <li>• Phase 2: Lot No. 72157, 72161, 72163, 72183, 72185, 72187, 72192, 72194, 72195, 72196, 72197, 72198, 72201, 72207, 72210, 72216, 72219, 72227, 72232, 72237 held under GRN 167515, 167519, 167521, 167541, 167543, 167550, 167572, 167574, 167576, 167580, 167581, 167591, 167601, 167646, 167649, 167655, 167658, 167667, 167675 and 167685 respectively</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 3: Lot Nos. PT 40396 to PT 40539 held under HSD 38740 to HSD 38883 respectively</li> <li>• Phase 4a: Lot Nos. PT 72524 to PT 72561 held under GRN167981, GRN167985, GRN167983, GRN167985, GRN167987, GRN167989 to GRN167997, GRN167999 to GRN168001, GRN168003, GRN168061, GRN168063, GRN168066, GRN168069 to GRN168077, GRN168079, GRN168081, GRN168083, GRN168085, GRN168087, GRN168088, GRN168090, GRN168092 and GRN168093 respectively</li> <li>• Phase 4b: Lot Nos. PT 40540 to PT 40609 held under HSD 38884 to HSD 38953 respectively</li> </ul>
<b>Location</b>	Located within Taman Mulia, Mukim Setiawan, District of Manjung, Perak Darul Ridzuan	

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Buildings erected and building age</b>	<ul style="list-style-type: none"> <li>Phase 1: 10 units of townhouse with building age of approximately 2.59 years</li> <li>Phase 2: 4 units of single-storey terraced houses and 16 double-storey terraced houses with building age of approximately 2.59 years</li> </ul>	None
<b>Land area (square meters)</b>	<ul style="list-style-type: none"> <li>Phase 1: 981.05 (built up area)</li> <li>Phase 2: 3,100.44 (built up area)</li> </ul>	<ul style="list-style-type: none"> <li>Phase 3: 25,103</li> <li>Phase 4a: 16,637</li> <li>Phase 4b: 30,577</li> </ul> <p>Phase 5: 54,430</p>
<b>Tenure of land (years)</b>	Freehold	
<b>Category of land use</b>	Building	
<b>Occupancy rate (%)</b>	N/A	
<b>Net lettable area (sq meters)</b>	N/A	
<b>Detail of potential development</b>	N/A	<ul style="list-style-type: none"> <li>Phase 3: Approved for the development of 144 units of single-storey terraced houses</li> <li>Phase 4a: Approved for the development of 96 units of double-storey semi-detached townhouse and 2 units of single-storey detached house</li> </ul>
		N/A
		Agriculture (Note (B) as set out in Page 227 of this Circular)

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

			<ul style="list-style-type: none"> <li>Phase 4b: Approved for the development of 86 units of single-storey semi-detached townhouse and 6 units of single-storey detached house</li> </ul>	
<b>Total GDV (as per valuation report)</b>	N/A		<ul style="list-style-type: none"> <li>Phase 3: RM49.31 million</li> <li>Phase 4a: RM32.03 million</li> <li>Phase 4b: RM43.31 million</li> </ul> Total GDV: RM124.65 million	N/A
<b>Total GDC (as per valuation report)</b>	N/A		<ul style="list-style-type: none"> <li>Phase 3: RM29.65 million</li> <li>Phase 4a: RM21.30 million</li> <li>Phase 4b: RM27.28 million</li> </ul> Total GDC: RM78.23 million	N/A
<b>Total balance development cost (inclusive of developer's profit)</b>	N/A		<ul style="list-style-type: none"> <li>Phase 3: RM28.26 million</li> <li>Phase 4a: RM20.45 million</li> <li>Phase 4b: RM25.90 million</li> </ul> Total balance development cost: RM74.61 million	N/A
<b>Commencement / completion date of development</b>	N/A		The developments have yet to commence	N/A

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<p><b>Total expected development (excluding land cost)</b></p>	<p>N/A</p>	<ul style="list-style-type: none"> <li>• Phase 3: RM19.66 million</li> <li>• Phase 4a: RM10.73 million</li> <li>• Phase 4b: RM16.03 million</li> </ul> <p>Total expected gross development profits: RM46.42 million</p>	<p>N/A</p>
<p><b>Percentage of sales as at the valuation date</b></p>	<p>N/A</p>		
<p><b>Stage of completion as at date of valuation</b></p>	<p>Completed</p>	<p>N/A</p>	<p>N/A</p>
<p><b>Source of funds to finance development cost</b></p>	<p>N/A</p>	<p>Borrowings and/or internal generated funds</p>	<p>N/A</p>
<p><b>Relevant approvals obtained and date obtained</b></p>	<ul style="list-style-type: none"> <li>• Phase 1: Certificate of Completion and Compliance obtained on 30 May 2017</li> <li>• Phase 2: Certificate of Completion and Compliance obtained on 30 May 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 3: (a) Planning approval obtained on 7 August 2015 (b) Building plan approved on 7 December 2015</li> <li>• Phase 4a: (a) Planning approval obtained on 20 August 2018 (b) Building plan approved on 11 October 2019</li> <li>• Phase 4b: (a) Planning approval obtained on 4 November 2015 (b) Building plans approved on 7 March 2016</li> </ul>	<p>N/A</p>
<p><b>Express conditions</b></p>	<p>"Kediaman – Sebuah Rumah Kediaman"; in respect of all titles, save and except for Lot PT 7609 and PT 7610 held under HSD 34612 and HSD 34613 which has an express condition of "Pertanian".</p>		
<p><b>Restriction-in-interest</b></p>	<p>None</p>		

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Encumbrances</b>	None		
<b>NBV as at 31 December 2019</b>	Note (A), as set out in Page 227 of this Circular		
<b>Valuation Date</b>	31 December 2019		
<b>Valuer</b>	Knight Frank Malaysia Sdn Bhd		
<b>Valuation</b>	Phase 1 and 2: RM9.59 million	<ul style="list-style-type: none"> <li>• Phase 3: RM17.00 million</li> <li>• Phase 4a: RM9.50 million</li> <li>• Phase 4b: RM14.30 million</li> </ul> Total Valuation: RM40.80 million	RM14.50 million
<b>Method(s) of valuation <sup>(i)</sup></b>	<ul style="list-style-type: none"> <li>• Phase 1: Comparison Approach</li> <li>• Phase 2: Comparison Approach and Cost Approach as cross check</li> </ul>	<ul style="list-style-type: none"> <li>(i) Income Approach (Residual Method)</li> <li>(ii) Comparison Approach as a cross check</li> </ul>	Comparison Approach

**Note:-**

(i) Details of the valuation methods are as follows:-

<b>No</b>	<b>Description</b>	<b>Methodology</b>
1	Phase 1	In valuing the completed and unsold properties (Phase 1 and Phase 2), the Valuer has placed greater emphasis on the Comparison Approach as in a valuation of a homogeneous real estate such as vacant lands and residential homes, the Comparison Approach is the most appropriate method of valuation as there are less adjustments and analysis on comparables.  For Phase 2, in addition to the Comparison Approach, the Valuer had also adopted the Cost Approach as the secondary approach and as a cross check on the market value arrived at by the Comparison Approach.  In view that Phase 3, Phase 4a and Phase 4b are development lands with approved plans or awarded contracts, the primary method adopted by the Valuer is the Income Approach by Residual Method.
2	Phase 2	
3	Phase 3	



**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

No	Description	Methodology
4	Phase 4a	Comparison Approach was adopted as the secondary approach and as a cross check on the market value arrived at by the Income Approach by Residual Method.
5	Phase 4b	
6	Phase 5	

*In arriving at the Market Value of Phase 5 (vacant land intended for future development), the Valuer has considered the Comparison Approach of Valuation as the only method of valuation after having noted sufficient comparable properties in the locality.*

(iii) Setia Residence

Name	Setia Residence	
Type	Inventory	Land with Development Approval
<b>Description / Existing / Proposed usage</b>	<ul style="list-style-type: none"> <li>Phase 3: 4 units of completed, unsold and vacant double-storey terraced houses and 2 units of completed and unsold double-storey detached houses</li> <li>Phase 4: 20 units of completed, unsold and vacant double-storey terraced houses</li> <li>Phase 5: 4 units of completed, unsold and vacant double-storey semi-detached houses, 3 units of three (3)-storey shop office and 1 unit of double-storey shop office</li> </ul>	<ul style="list-style-type: none"> <li>Phase 6a: 51 parcels of subdivided residential terraced plots approved for the development of 51 units of terraced houses</li> <li>Phase 6b: 24 parcels of residential cluster plots and a parcel of agriculture land approved for 24 units of double-storey cluster houses and a retention pond</li> <li>Plot 438: a parcel of residential detached plot approved for a double-storey detached house</li> </ul>
<b>Beneficial owner</b>	Blossom (i)	
<b>Registered owner</b>	Dunia Kukuh Sdn Bhd	

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<p><b>Identification (Title and Lot No)</b></p>	<ul style="list-style-type: none"> <li>Phase 3: Lot Nos. PT 36870, PT 36884, PT 36885, PT 36888, PT 36918 and PT 36919 held under HSD 33120, HSD 33134, HSD 33135, HSD 33138, HSD 33168 and HSD 33169 respectively</li> <li>Phase 4: PT36770, PT36775, PT36777, PT36778, PT36781, PT36785, PT36787, PT36788, PT36790, PT36792, PT36793, PT36794, PT36795, PT36796, PT36799, PT36807, PT36808, PT36809, PT36825 and PT36847 held under HSD33020, HSD33025, HSD33027, HSD33028, HSD33031, HSD33035, HSD33037, HSD33038, HSD33040, HSD33042, HSD33043, HSD33044, HSD33045, HSD33046, HSD33049, HSD33057, HSD33058, HSD33059, HSD33075 and HSD33097 respectively</li> <li>Phase 5: PT41194, PT41199, PT41200, PT41202, PT41174, PT41175, PT41182 and PT41193 held under HSD39550, HSD39555, HSD39556, HSD39558, HSD39530, HSD39531, HSD39538 and HSD39549 respectively</li> </ul>	<ul style="list-style-type: none"> <li>Phase 6a: Lot Nos. PT 36714 to PT 36764 held under HSD 32964 to HSD 33014 respectively</li> <li>Phase 6b: Lot Nos. PT 41208 to PT 41231 held under HSD39564 to HSD39587 respectively</li> <li>Phase 6b (Agricultural land) – Lot No. PT 37153 held under HSD 33403</li> <li>Plot 438: Lot No. PT 37151 held under HSD 33401</li> </ul>
<p><b>Location</b></p>	<p>Setia Residence, Mukim Sitiawan, District of Manjung, Perak Darul Rizduan</p>	
<p><b>Buildings erected and building age</b></p>	<ul style="list-style-type: none"> <li>Phase 3: 4 units of completed double-storey terraced houses with building age of approximately 4.35 years and 2 units of completed double-storey detached houses with building age of approximately 4.04 years</li> </ul>	<p>None</p>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

	<ul style="list-style-type: none"> <li>Phase 4: 20 units of completed double-storey terraced houses with building age of approximately 3.02 years</li> <li>Phase 5: 4 units of completed double-storey semi-detached houses, 3 units of completed three (3)-storey shop office and 1 unit of completed double-storey shop office with building age of approximately 3.02 years</li> </ul>	21,626
<b>Land area (square meters)</b>	<ul style="list-style-type: none"> <li>Phase 3 and 4 (built-up): Double-storey terraced house: 4,120.32 Double-storey detached house: 713.50</li> <li>Phase 5 (built-up): Double-storey Semi-Detached House: 1,207.72 Three (3)-storey Terraced Shop-office: 1,638.81 Double-storey Terraced Shop-office: 260.13</li> </ul>	
<b>Tenure of land (years)</b>	Freehold	
<b>Category of land use</b>	"Bangunan", in respect of all titles, save and except for Lot PT 37153 held under HSD 33403 which has a category of land use of "Pertanian"	
<b>Occupancy rate (%)</b>	N/A	
<b>Net lettable area (sq meters)</b>	N/A	
<b>Detail of potential development</b>	N/A	<ul style="list-style-type: none"> <li>Phase 6a: 51 units of double-storey terraced houses</li> <li>Phase 6b: 24 units of double-storey cluster houses and a retention pond</li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

		<ul style="list-style-type: none"> <li>Plot 438: a unit of double-storey detached house</li> </ul>
<b>Total GDV (as per valuation report)</b>	N/A	<ul style="list-style-type: none"> <li>Phase 6a: RM22.38 million</li> <li>Phase 6b: RM17.67 million</li> <li>Plot 438: N/A</li> </ul>
<b>Total GDC (as per valuation report)</b>	N/A	<ul style="list-style-type: none"> <li>Phase 6a: RM13.92 million</li> <li>Phase 6b: RM10.45 million</li> <li>Plot 438: N/A</li> </ul>
<b>Total balance development cost (inclusive of developer's profit)</b>	N/A	<ul style="list-style-type: none"> <li>Phase 6a: RM13.92 million</li> <li>Phase 6b: RM10.45 million</li> <li>Plot 438: N/A</li> </ul>
<b>Commencement / expected completion date of development</b>	Completed	The development has yet to commence
<b>Total expected gross development profits (excluding land cost)</b>	N/A	<ul style="list-style-type: none"> <li>Phase 6a: RM8.46 million</li> <li>Phase 6b: RM7.22 million</li> <li>Plot 438: N/A</li> </ul>
<b>Percentage of sales as at the valuation date</b>	N/A	
<b>Stage of completion as at date of valuation</b>	Completed	N/A

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

Source of funds to finance development cost	N/A	Borrowings and/or internal generated funds
<p><b>Relevant approvals obtained and date obtained</b></p> <ul style="list-style-type: none"> <li>• Phase 3: Certificate of Completion and Compliance obtained dated 27 August 2015 and 17 December 2015</li> <li>• Phase 4: Certificate of Completion and Compliance obtained dated 23 December 2016</li> <li>• Phase 5: Certificate of Completion and Compliance obtained dated 24 November 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 6a: (a) Planning approval obtained dated 12 January 2015 (b) Building plan approved on 5 February 2015</li> <li>• Phase 6b: (a) Planning approval obtained dated 4 March 2015 (b) Building plan approved on 30 April 2015</li> <li>• Plot 438: (a) Planning approval obtained dated 14 July 2015 (b) Building plan approved on 18 August 2015</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 6a: (a) Planning approval obtained dated 12 January 2015 (b) Building plan approved on 5 February 2015</li> <li>• Phase 6b: (a) Planning approval obtained dated 4 March 2015 (b) Building plan approved on 30 April 2015</li> <li>• Plot 438: (a) Planning approval obtained dated 14 July 2015 (b) Building plan approved on 18 August 2015</li> </ul>
<p><b>Express conditions</b></p>	<p>"Kediaman – Sebuah Rumah Kediaman"; in respect of all titles, save and except for Lot PT 37153 held under HSD 33403 which has an express condition of "Tanaman Komersial -- Kelapa Sawit"</p>	<p>"Kediaman – Sebuah Rumah Kediaman"; in respect of all titles, save and except for Lot PT 37153 held under HSD 33403 which has an express condition of "Tanaman Komersial -- Kelapa Sawit"</p>
<p><b>Restriction-in-interest</b></p>	<ul style="list-style-type: none"> <li>• Phase 3: PT 36870, PT 36884, PT 36885 and PT 36888 held under HSD33120, HSD 33134, HSD 33135 and HSD 33138: None  PT36918 and PT36919 held under HSD33168 and HSD33169: "Tanah ini hanya boleh dipindahmilik atau dipajak dengan kebenaran bertulis oleh Pihak Berkuasa Negeri. Sekatan ini dikecualikan kepada kaum Bumiputra bagi pindahmilik kedua"</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 6a: PT36714 held under HSD32964, PT36726 held under HSD32976, PT36747 held under HSD32997, PT36755 to PT36756 held under HSD33005 to HSD33006, PT36764 held under HSD33014: None  PT36715 to PT36725 held under HSD32965 to HSD32975, PT36727 to PT36746 held under HSD32977 to HSD32996, PT36748 to PT36754 held under HSD32998 to HSD33004, PT36757 to PT36763 held under HSD33007 to HSD33013: "Tanah ini hanya boleh dipindahmilik atau dipajak dengan kebenaran bertulis oleh Pihak Berkuasa Negeri. Sekatan ini dikecualikan kepada kaum Bumiputra bagi pindahmilik kedua"</li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

	<ul style="list-style-type: none"> <li>Phase 4:            PT36770 held under HSD 33020,            PT36777 held under HSD33027,            PT36778 held under HSD33028,            PT36785 held under HSD33035,            PT36787 held under HSD33037,            PT36788 held under HSD33038,            PT36793 held under HSD33043,            PT36794 held under HSD33044,            PT36795 held under HSD33045,            PT36796 held under HSD33046 and            PT36807 held under HSD33057: "<i>Tanah ini hanya boleh dipindahmilik atau dipajak dengan kebenaran bertulis oleh Pihak Berkuasa Negeri. Sekatan ini dikecualikan kepada kaum Bumiputra bagi pindahmilik kedua</i>"</li> </ul>	<ul style="list-style-type: none"> <li>Phase 6b: None</li> <li>Plot 438: None</li> </ul>
<b>Encumbrances</b>	None	
<b>NBV as at 31 December 2019 (RM)</b>	Note (A), as set out in Page 227 of this Circular	
<b>Valuation Date</b>	31 December 2019	
<b>Valuer</b>	Knight Frank Malaysia Sdn Bhd	

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Valuation</b>	<ul style="list-style-type: none"> <li>Phase 3 and Phase 4: RM13.70 million</li> <li>Phase 5: RM6.71 million</li> </ul>	<ul style="list-style-type: none"> <li>Phase 6a: RM7.20 million</li> <li>Phase 6b: RM6.20 million</li> <li>Plot 438: RM0.64 million</li> </ul>
<b>Method(s) of valuation <sup>(ii)</sup></b>	<ul style="list-style-type: none"> <li>(i) Comparison Approach</li> <li>(ii) Cost Approach as cross check</li> </ul>	<p><u>Phase 6a and 6b</u></p> <ul style="list-style-type: none"> <li>(i) Income Approach (Residual Method)</li> <li>(ii) Comparison Approach as cross check</li> </ul> <p><u>Plot 438</u></p> <ul style="list-style-type: none"> <li>(i) Comparison Approach</li> </ul>

**Notes:-**

(i) *The sale and purchase agreement between Dunia Kukuh Sdn Bhd (as vendor) and Greenstone Development Sdn Bhd (as purchaser) had been completed and accordingly Greenstone Development Sdn. Bhd. was deemed as the beneficial owner of the parcels of lands. Subsequently, Greenstone Development Sdn Bhd had subdivided the parcels of lands and granted Blossom the rights to develop the subdivided land(s) via a joint venture agreement.*

*As at the valuation date, all payments payable by Blossom to Greenstone under the joint venture agreement has been made and Blossom is deemed the beneficial owner of the subdivided land(s) by virtue of its interest under the joint venture agreement. Nonetheless, it is the intention of the parties that all titles are intended to be transferred directly to the end buyers upon the sales of the respective units.*

(ii) *Details of the valuation methods are as follows:-*

No	Description	Methodology
1	Phase 3	<p><i>In valuing the completed and unsold properties (Phase 3, Phase 4 and Phase 5), the Valuer has placed greater emphasis on the Comparison Approach as in a valuation of a homogeneous real estate such as vacant lands and residential homes, the Comparison Approach is the most appropriate method of valuation as there are less adjustments and analysis on comparables.</i></p> <p><i>The Cost Approach was adopted as the secondary approach and as a cross check on the market value arrived at by the Comparison Approach.</i></p>
2	Phase 4	
3	Phase 5	

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

No	Description	Methodology
4	Phase 6a	Taking into consideration that Phase 6 and Phase 6b are subdivided residential plots intended for future development with planning and development approvals, the Valuer has adopted the Income Approach by Residual Method as the primary method of valuation.
5	Phase 6b	
		Comparison Approach was adopted as the secondary approach and as a cross check on the market value arrived at by the income approach by residual method as there is a dearth of recent recorded transactions of similar properties within the immediate vicinity.
6	Plot 438	In arriving at the Market Value of Plot 438, the Valuer has considered the Comparison Approach of Valuation as the main and / or primary method of valuation after having noted sufficient comparable properties in the locality.  Although Plot 438 has approved development plans, the Residual Method of Valuation may not be appropriate as the proposed development comprise of only one unit of double-storey detached house.

(iv) Legenda Teluk Intan

Name	Legenda Teluk Intan	
Type	On-going Developments / Land with Development Approval	Vacant Land
<b>Description / Existing / Proposed usage</b>	<p>• Phase 1 of 1,997 subdivided individual titles consisting of:</p> <p><u>On-Going:</u> An on-going development of 1,487 units of single-storey terraced house, 356 units of single-storey cluster house and 4 units of TNB substation</p> <p><u>Future Launches:</u> Proposed development of 137 units of double-storey terraced shop-offices, 2 units of single-storey semi-detached houses and 5 units of single-storey detached houses together with additional of 4 agricultural plots, 1 unit of stall and 1 unit of Main Distribution Substation (PPU)</p>	65 parcels of agricultural lands currently planted with oil palm trees



**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

	<ul style="list-style-type: none"> <li>Phase 2: Vacant development land consisting of 18 block parcels of development land; approved for the development of 2,667 units of single-storey terraced houses</li> <li>Phase 3A: Vacant development land consisting of 8 block parcels of development of 1,080 units of cluster houses and 18 units of detached houses</li> <li>Phase 3B: Vacant development land consisting of 8 block parcels of development land; proposed for the development of 775 units of terraced houses together with additional 28 parcels of agricultural plots</li> </ul>	
<b>Beneficial owner</b>	<ul style="list-style-type: none"> <li>Taraf, in respect of Phase 1,2 and 3A</li> <li>Blossom, in respect of Phase 3B</li> </ul>	Blossom
<b>Registered owner</b>	<ul style="list-style-type: none"> <li>Ladang Awana Sdn Bhd in respect of Phase 1 Agricultural Plots (as defined herein), Phase 2 and 3A <sup>(i)</sup></li> <li>Taraf Nusantara Sdn Bhd; in respect of Phase 1 (save for the Phase 1 Agricultural Plots) <sup>(i)</sup></li> <li>Blossom Eastland Sdn Bhd; in respect of Phase 3B and agricultural lands</li> </ul>	Blossom
<b>Identification (Title and Lot No)</b>	<ul style="list-style-type: none"> <li>Phase 1: PT26803 to PT28799 held under HSD24611 to HSD26607 respectively</li> <li>Phase 2: Lot59372 held under PN379066, Lot59373 held under PN379067, Lot59394 to Lot59409 held under PN379088 to PN379093, PN379838, PN379094 to PN379102 respectively</li> </ul>	<ul style="list-style-type: none"> <li>Lot59307 to Lot59316, held under PN378940 to PN378949 respectively</li> <li>Lot59417 to Lot59423, held under PN378966 to PN378969, PN378971, PN378974 and PN378976 respectively</li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

	<ul style="list-style-type: none"> <li>Phase 3A: Lot 59334 to Lot 59341 held under PN 378973, PN 378975, PN 378977, PN 378979, PN 378981, PN 378983, PN 378985 and PN 378987 respectively</li> <li>Phase 3B: Lot 59424 to Lot 59431 held under PN378978, PN 378980, PN 378982, PN 378984, PN 378986, PN 378999 to PN379001 respectively</li> </ul>	<ul style="list-style-type: none"> <li>Lot59432 to Lot59479, held under PN379002 to PN379031, PN379839, PN379032 to PN379045, PN379833, PN379046 and PN379047 respectively</li> </ul>
<b>Location</b>	Mukim Durian Sebatang, District of Hilir Perak, Perak Darul Ridzuan	
<b>Buildings erected and building age</b>	None	
<b>Land area (square meters)</b>	<ul style="list-style-type: none"> <li>Phase 1: 501,147</li> <li>Phase 2: 765,260</li> <li>Phase 3A: 349,170</li> <li>Phase 3B: 345,430</li> </ul>	2,721,550
<b>Tenure of land (years)</b>	<p>(i) Leasehold interest for a term of 99 years, expiring on 26 December 2118; in respect of Phase 1 subdivided individual titles.</p> <p>(ii) Leasehold interest for a term of 99 years, expiring on 16 December 2091; in respect of Phase 2, 3A, 3B and agricultural lands.</p>	
<b>Category of land use</b>	<ul style="list-style-type: none"> <li>Phase 1: PT26803 to PT28790 held under HSD24611 to HSD26598: Building</li> <li>PT28791 to PT28794 held under HSD26599 to HSD26602: Agriculture</li> </ul>	Agriculture (Note (B) as set out in Page 227 of this Circular)

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

	<p>PT28795 to PT28799 held under HSD26603 to HSD26607: Industrial</p> <ul style="list-style-type: none"> <li>Phase 2, 3A and 3B: Agriculture</li> </ul>
Occupancy rate (%)	N/A
Net lettable area (sq meters)	N/A
Detail of potential development	<p>• Phase 1 of 1,997 subdivided individual titles consisting of:</p> <p><u>On-Going</u> An on-going development of 1,487 units of single-storey terraced house, 356 units of single-storey cluster house and 4 units of TNB substation</p> <p><u>Future Launch</u> Proposed development of 137 units of double-storey terraced shop-offices, 2 units of single-storey semi-detached houses and 5 units of single-storey detached houses together with additional of 4 agricultural plots, 1 unit of stall and 1 unit of Main Distribution Substation (PPU)</p> <ul style="list-style-type: none"> <li>Phase 2: 2,667 units of single-storey terraced houses</li> <li>Phase 3A: 1,080 units of cluster houses and 18 units of detached houses</li> <li>Phase 3B: 775 units of single storey terraced houses together with additional 28 parcels of agricultural plots</li> </ul>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<p><b>Total GDV (as per valuation report)</b></p>	<ul style="list-style-type: none"> <li>• Phase 1: RM358.92 million</li> <li>• Phase 2: RM445.23 million</li> <li>• Phase 3A: RM217.50 million</li> <li>• Phase 3B: RM137.80 million</li> </ul> <p>Total GDV: RM1,159.45 million</p>	<p>N/A</p>
<p><b>Total GDC (as per valuation report)</b></p>	<ul style="list-style-type: none"> <li>• Phase 1: RM277.68 million</li> <li>• Phase 2: RM365.44 million</li> <li>• Phase 3A: RM164.12 million</li> <li>• Phase 3B: RM109.97 million</li> </ul> <p>Total GDC: RM917.21 million</p>	<p>N/A</p>
<p><b>Total balance development cost (inclusive of developer's profit)</b></p>	<ul style="list-style-type: none"> <li>• Phase 1: RM262.65 million</li> <li>• Phase 2: RM363.57 million</li> <li>• Phase 3A: RM164.04 million</li> <li>• Phase 3B: RM109.92 million</li> </ul> <p>Total balance development cost: RM900.18 million</p>	<p>N/A</p>
<p><b>Commencement / expected completion date of development</b></p>	<ul style="list-style-type: none"> <li>• Phase 1: August 2018 / August 2021</li> <li>• Phase 2: March 2020 / By May 2023</li> <li>• Phase 3A and 3B: August 2020 / By October 2023</li> </ul>	<p>N/A</p>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<p><b>Total expected gross development profits (excluding land cost)</b></p>	<ul style="list-style-type: none"> <li>• Phase 1: RM81.24 million</li> <li>• Phase 2: RM79.79 million</li> <li>• Phase 3A: RM53.38 million</li> <li>• Phase 3B: RM27.83 million</li> </ul> <p>Total expected gross development profits: RM242.24 million</p>	<p>N/A</p>
<p><b>Percentage of sales as at the valuation date</b></p>	<p>Phase 1: 53%</p>	<p>N/A</p>
<p><b>Stage of completion as at date of valuation</b></p>	<p>Phase 1: 8%</p>	<p>N/A</p>
<p><b>Source of funds to finance development cost</b></p>	<p>Borrowings and/or internal generated funds</p>	<p>N/A</p>
<p><b>Relevant approvals obtained and date obtained</b></p>	<ul style="list-style-type: none"> <li>• Phase 1: (a) Planning permission approval obtained dated 7 December 2018 (b) Building plans approval obtained dated 18 December 2018</li> <li>• Phase 2: Approved layout plan dated 6 August 2019. Application for other relevant approvals will be made at a later date.</li> <li>• Phase 3A and 3B: Conditional planning permission approval obtained dated 24 December 2019. Application for other relevant approvals will be made at a later date.</li> </ul>	<p>N/A</p>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<p><b>Express conditions</b></p>	<ul style="list-style-type: none"> <li>Phase 1:- In respect of all titles, "Kediaman - Rumah Kluster" or "Kediaman - Rumah Berkembar" or "Kediaman - Rumah Sesebuah" or "Kediaman - Rumah Teres" except for the following:- (i) PT28384 to PT28520 held under HSD26192 to HSD26328: "Perniagaan - Kedai Pejabat" (ii) PT28790 HSD26598: "Perniagaan - Gerai" (iii) PT28791 to PT28794 held under HSD26599 to HSD26602: "Tanaman Komersial - Kelapa Sawit dan Koko" (iv) PT28795 to PT28798 held under HSD26603 to HSD26606: "Perusahaan Berat - Pencawang Elektrik" (v) PT28799 held under HSD26607: "Perusahaan Berat - Pencawang Pengagih Utama"   <ul style="list-style-type: none"> <li>Phase 2, 3A and 3B: "Tanaman Komersial – Kelapa Sawit dan Koko"</li> </ul> </li> </ul>	<p>"Tanaman Komersial – Kelapa Sawit dan Koko."</p>
<p><b>Restriction-in-interest</b></p>	<ul style="list-style-type: none"> <li>Phase 1:- In relation to non-Bumi lots: "Tanah ini hanya boleh dipindahmilik atau dipajak dengan kebenaran bertulis oleh Pihak Berkuasa Negeri" In relation to Bumi lots: "Tanah ini hanya boleh dipindahmilik atau dipajak dengan kebenaran bertulis oleh Pihak Berkuasa Negeri. Sekatan ini dikecualikan kepada kaum Bumiputra bagi pindah milik kedua dan seterusnya."</li> </ul>	<p>"Tanah ini tidak boleh dijual, dicagar, dipajak, ditukar milik, dibebankan atau diserahkan secara lain tanpa kebenaran bertulis oleh Menteri Besar, Perak."</p>

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

	<ul style="list-style-type: none"> <li>Phase 2, 3A and 3B: "Tanah ini tidak boleh dijual, dicagar, dipajak, ditukar milik, dibebankan atau diserah secara lain tanpa kebenaran bertulis oleh Menteri Besar, Perak."</li> </ul>	
<b>Encumbrances</b>	None	<ul style="list-style-type: none"> <li>Lot 59307 to Lot59316 held under PN378940 to PN378949: Charged to RHB Bank Berhad</li> <li>Lot 59417 to Lot59446 held under PN378966 to PN379016: Charged to Hong Leong Bank Berhad</li> <li>Lot 59447 to Lot59479 held under PN379017 to PN379047: Charged to CIMB Islamic Bank Berhad</li> </ul>
<b>NBV as at 31 December 2019 (RM)</b>	Note (A), as set out in Page 227 of this Circular	
<b>Valuation Date</b>	31 December 2019	
<b>Valuer</b>	Knight Frank Malaysia Sdn Bhd	
<b>Valuation</b>	<ul style="list-style-type: none"> <li>Phase 1: RM56.70 million</li> <li>Phase 2: RM57.20 million</li> <li>Phase 3A: RM38.90 million</li> <li>Phase 3B: RM21.10 million</li> </ul> Total Valuation: RM173.90 million	RM95.80 million

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Method(s) of valuation</b> <sup>(ii)</sup>	<p><u>Phase 1</u> Income Approach (Residual Method)</p> <p><u>Phase 2,3A and 3B</u> (i) Income Approach (Residual Method) (ii) Comparison Approach as cross check</p>	Comparison Approach
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**Notes:-**

- (i) *In respect of the Sale and Purchase Agreement made between Ladang Awana Sdn Bhd and Taraf Nusantara Sdn Bhd in respect of lands held under Phase 1, 2 and 3A:-*
- a) *Save for 4 plots of agricultural land bearing title PT28791 – PT28794, HSD 26599 – 26602 (“Phase 1 Agricultural Plots”), the sale and purchase for the land under Phase 1 have been completed and it is the intention of the parties that all titles are to be transferred directly to the end buyers; and*
- b) *The sale and purchase for the land under Phase 1 Agricultural Plots, Phase 2 and 3A has yet to be completed as at the date of valuation.*

(ii) *Details of the valuation methods are as follows:-*

<b>No</b>	<b>Description</b>	<b>Methodology</b>
1	Phase 1	<i>In valuing on-going developments that are under construction (Phase 1), the Valuer has adopted one (1) method of valuation, the Income Approach by Residual Method.</i>
2	Phase 2	<i>In view that Phase 2, Phase 3A and Phase 3B are development lands with approved plans or awarded contracts, the primary method adopted by the Valuer is the Income Approach by Residual Method.</i>
3	Phase 3A	<i>The Comparison Approach was adopted as the secondary approach and as a cross check on the market value arrived at by the Income Approach by Residual Method.</i>
4	Phase 3B	
5	65 parcels of agricultural lands	<i>In arriving at the Market Value of the vacant agriculture lands, the Valuer has adopted one (1) method of valuation, the Comparison Approach, after having noted sufficient comparable properties in the locality.</i>



**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

(v) Taman Tronoh Akasia, Taman Desa

Name	Taman Tronoh Akasia	Taman Desa
<b>Description / Existing / Proposed usage</b>	<ul style="list-style-type: none"> <li>Phase 3: Vacant commercial land comprising of 23 parcels of subdivided terraced plots approved for the development of 15 units double-storey and 8 units of three-storey terraced shop offices</li> <li>Phase 4: Vacant residential land comprising 15 parcels of subdivided detached plots approved for the development of 15 units of single-storey detached houses</li> </ul>	Three unsold units of double-storey intermediate terraced shop-offices
<b>Beneficial owner</b>	Blossom	N/A
<b>Registered owner</b>	Sinar Ribuan Sdn Bhd <sup>(i)</sup>	Blossom
<b>Identification (Title and Lot No)</b>	<ul style="list-style-type: none"> <li>Phase 3: Lot Nos. 339337 to 339359 held under PN 415696, PN 415698, PN 415699, PN415701 to 415719 and PN 415802 respectively</li> <li>Phase 4: Lot Nos. 339398 to 339412 held under PN 415844, PN 415846, PN 415855, PN 415857, PN 415863, PN 415865, PN 415876, PN 415880, PN 415882, PN 415884, PN 415886, PN 415889, PN 415891, PN 415894 and PN 415896 respectively</li> </ul>	Lot Nos. 70969, 70970 and 70971 held under GRN 171124, 171125 and 171126 respectively
<b>Location</b>	Being part of the mixed development of Taman Tronoh Akasia, Mukim Belanja, District of Kinta, Perak Darul Ridzuan	The subject property is located along Jalan Desa 2/1, Taman Desa 2, Simpang Dua, 32000 Sitiawan, Perak Darul Ridzuan
<b>Buildings erected and building age</b>	None	Three units of double-storey intermediate terraced shop-offices with building age of approximately 2 to 3 years

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Land area (square meters)</b>	Phase 3: 3,428 Phase 4: 8,821	702.69 (built-up area)
<b>Tenure of land (years)</b>	Leasehold 99 years expiring on 19 <sup>th</sup> May 2113 in respect of all titles	Freehold
<b>Category of land use</b>	Building	Building
<b>Occupancy rate (%)</b>	N/A	The subject property is presently vacant except for the ground floor of Lot 70969 which has been rented out
<b>Net lettable area (sq meters)</b>	N/A	
<b>Detail of potential development</b>	<ul style="list-style-type: none"> <li>Phase 3: 15 units of double-storey and 8 units of three-storey commercial shop offices and</li> <li>Phase 4: 15 units of single-storey detached houses</li> </ul>	N/A
<b>Total GDV (as per valuation report)</b>	<ul style="list-style-type: none"> <li>Phase 3: RM9.59 million</li> <li>Phase 4: RM6.63 million</li> </ul> Total GDV: RM16.22 million	N/A
<b>Total GDC (as per valuation report)</b>	<ul style="list-style-type: none"> <li>Phase 3: RM8.06 million</li> <li>Phase 4: RM6.12 million</li> </ul> Total GDC: RM14.18 million	N/A
<b>Total balance development cost (inclusive of developer's profit)</b>	<ul style="list-style-type: none"> <li>Phase 3: RM7.94 million</li> <li>Phase 4: RM6.09 million</li> </ul>	N/A

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Commencement / expected completion date of development</b>	The developments have yet to commence	N/A
<b>Total expected gross development profits (excluding land cost)</b>	<ul style="list-style-type: none"> <li>• Phase 3: RM1.53 million</li> <li>• Phase 4: RM0.51 million</li> </ul> Total expected gross development profits: RM2.04 million	N/A
<b>Percentage of sales as at the valuation date</b>	N/A	
<b>Stage of completion as at date of valuation</b>	N/A	Completed
<b>Source of funds to finance development cost</b>	Borrowings and/or internal generated funds	N/A
<b>Relevant approvals obtained and date obtained</b>	<ul style="list-style-type: none"> <li>• Planning permission approval letters obtained dated 5 January 2015 and 5 January 2017 in respect of both phases</li> <li>• Phase 3: Building Plan approval letter obtained dated 31 December 2014</li> <li>• Phase 4: Building Plan approval letter obtained dated 11 January 2017</li> </ul>	Certificate of Completion and Compliance obtained on 20 March 2017
<b>Express conditions</b>	<ul style="list-style-type: none"> <li>• "Perniagaan – Kedai Pejabat"; in respect of Lot Nos. 339337 to 339359</li> <li>• "Kediaman-Sebuah Rumah Kediaman"; in respect of Lot Nos. 339398 to 339412</li> </ul>	"Perniagaan – Kedai Pejabat", in respect of all titles
<b>Restriction-in-interest</b>	"Tanah ini hanya boleh dipindahmilik atau dipajak dengan kebenaran bertulis oleh Pihak Berkuasa Negeri"; in respect of all titles.	None

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Encumbrances</b>	None	
<b>NBV as at 31 December 2019</b>	Note (A), as set out in Page 227 of this Circular	
<b>Valuation Date</b>	31 December 2019	
<b>Valuer</b>	Knight Frank Sdn Bhd	
<b>Valuation</b>	Phase 3 and Phase 4: RM1.86 million	RM0.91 million
<b>Method(s) of valuation <sup>(i)</sup></b>	(i) Income Approach (Residual Method)	(i) Comparison Approach
	(ii) Comparison Approach as cross check	(ii) Cost Approach as cross check

**Notes:-**

(i) *The agreements made between Sinar Ribuan Sdn Bhd and Blossom has been completed pursuant to the terms and conditions contained therein. Nonetheless, it is the intention of the parties that, all titles are intended to be transferred directly to the end buyers / are currently pending transfer to the end buyers, upon the sales of the respective units.*

(ii) *Details of the valuation methods are as follows:-*

Taman Tronoh Akasia

<b>No</b>	<b>Description</b>	<b>Methodology</b>
1	Phase 3	<i>In view that Phase 3 and Phase 4 are development lands with approved plans or awarded contracts, the primary method adopted by the Valuer is the Income Approach by Residual Method.</i>
2	Phase 4	<i>Comparison Approach was adopted as the secondary approach and as a cross check on the market value arrived at by the Income Approach by Residual Method.</i>

Taman Desa

*In arriving at the Market Value of the subject property, the Valuer has considered the Comparison Approach of Valuation as the only method of valuation after having noted sufficient comparable properties in the locality and in view that there is no approved pre-computation plan and/or building plans for the subject property.*

*The Cost Approach was adopted as the secondary approach and as a cross check on the market value arrived at by the Comparison Approach.*

**APPENDIX 1 – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

(vi) Sungai Wangi, Kampar, Teluk Rubiah

Name	Sungai Wangi	Kampar	Teluk Rubiah
<b>Description / Existing / Proposed usage</b>	Vacant agricultural land comprising eight (8) parcels of land with potential for residential use	Vacant agricultural land comprising seven (7) contiguous parcels of land with potential for mixed use	Vacant agricultural land comprising two (2) parcels of land with potential for residential use
<b>Beneficial owner</b>	N/A		
<b>Registered owner</b>	Blossom		
<b>Identification (Title and Lot No)</b>	Lot Nos. PT 6733, PT 6734, PT 6726 to PT 6728 and Lot Nos. PT 6699 to PT 6701 held under HSD 30233, HSD 30234, HSD 30226 to HSD 30228 and HSD 30199 to HSD 30201	Lot Nos. 19040, 7060, 39304, 39305, 39306, 39307 and 39309 held under GRN 126550, GRN 126553, GRN 124519, GRN 124522, GRN 124524, GRN 124525 and GRN 124531 respectively	Lot Nos. 2552 and 2553 held under GM 2384 and GM 2385 respectively
<b>Location</b>	The subject property is located off Jalan Lumut and approximately 500 metres off the main access road, West Coast Expressway within the vicinity of Sungai Wangi, Perak Darul Ridzuan.	The subject property is located along Federal Route 1, and broadly bounded by Hutan Lipur Sungai Salu to its immediate east, within Mukim and District of Kampar, Perak Darul Ridzuan	The subject property is located approximately 100 metres off the unnamed metalled road, north-west of Jalan Semarak Api within the vicinity of Teluk Rubiah, Perak Darul Ridzuan
<b>Buildings erected and building age</b>	None		
<b>Land area (square meters)</b>	41,082	113,161	37,585
<b>Tenure of land (years)</b>	Freehold		

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Category of land use</b>	Agriculture (Note (B) as set out in Page 227 of this Circular)
<b>Occupancy rate (%)</b>	N/A
<b>Net lettable area (sq meters)</b>	N/A
<b>Detail of potential development</b>	N/A
<b>Total GDV (as per valuation report)</b>	None
<b>Total GDC (as per valuation report)</b>	None
<b>Total balance development cost (inclusive of developer's profit)</b>	None
<b>Commencement / expected completion date of development</b>	None
<b>Total expected gross development profits (excluding land cost)</b>	None
<b>Percentage of sales as at the valuation date</b>	None
<b>Stage of completion as at date of valuation</b>	None
<b>Source of funds to finance development cost</b>	N/A
<b>Relevant approvals obtained and date obtained</b>	None

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Express conditions</b>	" <i>Tanaman Komersial – Kelapa Sawit</i> ", in respect of all titles	<ul style="list-style-type: none"> <li>"<i>Tanaman Komersial – Buah-buahan / Getah / Kapas / Tebu / Sago / Nipah</i>"; in respect of Lot 19040 held under GRN126550</li> <li>"<i>Pertanian</i>"; in respect of Lot 7060, Lot 39304, Lot 39306 and Lot 39307 held under GRN126553, GRN124519, GRN124524 and GRN124525 respectively</li> <li>"<i>Tanaman Komersial – Getah / Kelapa Sawit</i>", in respect of Lot 39305 and Lot 39309 held under GRN124522 and GRN124531 respectively</li> </ul>	" <i>Tanaman Komersial – Getah</i> ", in respect of all titles
<b>Restriction-in-interest</b>	None		
<b>Encumbrances</b>	Charged to Public Bank Berhad	Charged to Malayan Banking Berhad	Charged to Public Bank Berhad
<b>NBV as at 31 December 2019</b>	Note (A), as set out in Page 227 of this Circular		
<b>Valuation Date</b>	31 December 2019		
<b>Valuer</b>	Knight Frank Malaysia Sdn Bhd		
<b>Valuation</b>	RM5.30 million	RM13.00 million	RM2.30 million
<b>Method(s) of valuation <sup>(i)</sup></b>	Comparison approach	Comparison approach	Comparison approach

## **APPENDIX 1 – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

**Note:-**

(i) Details of the valuation methods are as follows:-

Sungai Wangi, Kampar and Teluk Rubiah

*In arriving at the Market Value of the subject properties, the Valuer has considered the Comparison Approach of Valuation as the only method of valuation after having noted sufficient comparable properties in the locality and in view that there is no approved pre-computation plan and/or building plans for the subject properties.*

**Note (A):-**

*The total aggregate net book value for the real property assets as at 31 December 2019 amounts to RM329,673,925.*

**Note (B):-**

*As part of the Group's strategy, it is the intention of the Company to undertake the conversion of the vacant agricultural lands once details of the future development projects have been determined such that the Group will not be required to, inter-alia incur any upfront conversion cost at this juncture as well as to better plan their development projects. Any cost associated to the conversion will be borne by the Company post Proposed Acquisitions. It should be noted that consistent with the agricultural status of such land, the purchase consideration of the Proposed Acquisitions for said land is similarly based on vacant agricultural land basis. Going forward, the Company does not foresee any issues in regards to the conversion of the said agricultural lands for development purposes.*



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**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

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**1.8 Material Contracts**

As at the LPD, save as disclosed below, there are no material contracts (not being contract entered into in the ordinary course of business) which have been entered into by Blossom Group during the past two (2) years immediately preceding the date of this Circular:-

- (i) the Teluk Intan SPA. As at the LPD, the Teluk Intan SPA has yet to be completed pending the fulfilment of the final condition precedent under the Teluk Intan SPA, which requires Ladang Awana (being the vendor for the Teluk Intan SPA) to obtain the approval from the Estate Land Board for the sale and transfer of the Uncompleted Portion of Teluk Intan Land to Taraf;
- (ii) the sale and purchase agreement dated 30 August 2017 (as amended by a supplemental letter dated 30 August 2017 and 15 August 2019) entered into between Nutri Valley Sdn Bhd (as vendor) and Taraf (as purchaser) for a parcel of land planted with oil palm measuring approximately 144.7 acres held under the land title Hakmilik No. 134233, Lot 8746, Mukim Chenderiang, District of Batang Padang, State of Perak for purchase consideration of RM50,645,000. The sale and purchase transaction is pending completion as at the LPD;
- (iii) the sale and purchase agreement dated 8 June 2018 between Hektar Muda Sdn Bhd (as vendor) and Blossom (as purchaser) in respect of 8 parcels of agricultural land held under the land titles HSD 30233 PT 6733, HSD 30234 PT 6734, HSD 30226 PT 6726, HSD 30227 PT 6727, HSD 30228 PT 6728, HSD 30199 PT 6699, HSD 30200 PT 6700, and HSD 30201 PT 6701, Mukim of Sitiawan, District of Manjung, State of Perak for a purchase consideration of RM8,622,500. The sale and purchase transaction has been completed in accordance with the terms of the sale and purchase agreement;
- (iv) the sale and purchase agreement dated 11 October 2019 entered into between Tan Lei Wan Holdings Sdn Bhd (as vendor) and Taraf (as purchaser) for the acquisition by Taraf of the 157 individual residential lots held under the land titles HSD 241927 PT 43312 – HSD 242083 PT 43468, Mukim of Sungai Terap, State of Perak with 2 TNB reserved lots held under HSD 242084 PT 43469 and HSD 242085 PT 43470, Mukim of Sungai Terap, State of Perak at a purchase consideration of RM2,878,800. The sale and purchase transaction is pending completion as at the LPD; and
- (v) the sale and purchase agreement dated 11 October 2019 entered into between Meranti Tiga Sdn Bhd (as vendor) and Taraf (as purchaser) for the acquisition by Taraf of the 146 individual residential lots held under the land titles HSD 241781 PT 43166 to HSD 241926 PT 43311, Mukim of Sungai Terap for a purchase consideration of RM2,921,200. The sale and purchase transaction is pending completion as at the LPD.

**1.9 Material Litigations**

As at the LPD, Blossom Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of Blossom confirm that there are no proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial positions or business of Blossom Group.

**1.10 Material Commitments**

As at the LPD, save for the existing capital commitments stated in the financial statements of Blossom Group for the FYE 31 December 2019 and the future development costs to be incurred on the Blossom Group Properties, the directors of Blossom confirm that there are no material commitments contracted or known to be contracted by Blossom Group that is likely to have an impact on Blossom Group's profits or NA upon becoming enforceable.

## APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)

### 1.11 Contingent Liabilities

As at the LPD, save for the existing contingent liabilities stated in the financial statements of Blossom Group for the FYE 31 December 2019, the directors of Blossom confirm that there are no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on Blossom Group's profits or NA.

## 2. Rantau

### 2.1 Background Information

Rantau was incorporated in Malaysia on 4 July 2000 as a private limited company under the Companies Act 1965 and is deemed registered under the Act.

It is principally engaged in project management for building construction. As at 31 December 2019, Rantau has an outstanding orderbook of approximately RM1.17 billion which mainly comprises of construction contracts awarded by Blossom Group for its development projects.

Please refer to Section 2.7(b) below for information on the recent major construction projects completed by Rantau.

### 2.2 Share Capital

The existing issued and fully paid-up share capital of Rantau as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares in Rantau.

### 2.3 Substantial Shareholders

The substantial shareholders of Rantau as well as their respective shareholding as at the LPD are as follows:-

Name	Nationality	Direct		Indirect	
		No. of Rantau Shares	%	No. of Rantau Shares	%
DDJM	Malaysian	330,000	33	-	-
DDTL	Malaysian	330,000	33	-	-
DDJC	Malaysian	340,000	34	-	-

### 2.4 Directors' shareholdings

As at the LPD, the directors of Rantau are DDJM, DDTL and DDJC. Their particulars as well as their shareholdings are set out in Section 2.3 above.

### 2.5 Subsidiaries and Associated Companies

As at the LPD, Rantau does not have any subsidiary or associated company.

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)****2.6 Historical Financial Information**

A summary of the historical financial information of Rantau based on its audited financial statements for the FYE 31 December 2017 to FYE 31 December 2019 are as follows:-

	Audited FYE 31 December		
	2017 Restated (RM'000)	2018 (RM'000)	2019 (RM'000)
Revenue	129,289	318,251	242,077
PBT	12,585	50,001	33,808
PAT	10,032	40,008	25,227
NA	12,411	50,419	71,146
Total borrowings	81	64	1,869
Share capital	1,000	1,000	1,000
No. of Rantau shares issued	1,000	1,000	1,000
NA per share (RM)	12.41	50.42	71.15
Net EPS (RM)	10.03	40.01	25.23
Current ratio (times)	1.21	1.39	1.60
Gearing ratio (times)	0.01	-(i)	0.03

**Note:-**

(i) Negligible.

**2.6.1. Commentary on financial performance****FYE 31 December 2018 vs FYE 31 December 2017**

Rantau's revenue increased by approximately RM188.96 million for the FYE 31 December 2018, representing an increase of 146.15% as compared to the FYE 31 December 2017. The increase in revenue was mainly due to Rantau being awarded with the construction contracts in relation to Phase 1C and Phase 1D of BBSAP with contract amount of approximately RM260.24 million by Blossom Group during the year.

In addition, Rantau recorded a PAT of approximately RM40.00 million for the FYE 31 December 2018, representing an increase of 29.98 million or 298.80% as compared to the FYE 31 December 2017, in line with the increase in the revenue, as highlighted above.

The NA of Rantau as at FYE 31 December 2018 increased by approximately RM38.00 million, representing an increase of 306.24% as compared to FYE 31 December 2017, mainly due to profit achieved during the financial year.

**FYE 31 December 2019 vs FYE 31 December 2018**

Rantau's revenue decreased by approximately RM76.17 million for the FYE 31 December 2019, representing a decrease of 23.94% as compared to the FYE 31 December 2018. The decrease in revenue was mainly due to lower progress billing during the year as the construction works for Phase 1C and Phase 1D of BBSAP was near to completion during the year and the construction works for Phase 3B of BBSAP and Phase 1 of LTI had only commenced by end of the year.

The decrease in Rantau's revenue and higher administrative expenses recorded in the FYE 31 December 2019 had resulted in the PBT of Rantau to decrease by 32.39% to RM33.81 million. Profit margin for FYE 31 December 2019 is approximately 14%, representing a slight decrease of 2% as compared to the FYE 31 December 2018 due to the lower contribution from the margin of Phase 1 of LTI as a result of an increase in the construction contracts amount awarded to the sub-contractors and the increase in administrative expenses during the year.

The NA of Rantau as at FYE 31 December 2019 increased by approximately RM20.73 million, representing an increase of 41.11% as compared to FYE 31 December 2018, mainly due to profit achieved during the financial year.

**2.6.2. Accounting policies and audit qualification**

For the past three (3) FYEs 31 December 2017, 31 December 2018 and 31 December 2019 under review:-

- (i) there were no exceptional or extraordinary items;
- (ii) there are no accounting policies adopted by Rantau which are peculiar to Rantau due to the nature of its business or the industry in which it is involved in; and
- (iii) Rantau's external auditors had not issued any audit qualification on its financial statements

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**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

**2.7 Construction Projects**

(a) Details of the on-going construction projects of Rantau are as follows:-

No.	Name	Description / Location of Project	Type of Project	Owner of Project	Total Contract Awarded <sup>(i)</sup>	Date of Award <sup>(ii)</sup>	Commencement Date <sup>(ii)</sup>	Scheduled completion date <sup>(iii)</sup>
1	BBSAP	Consisting of earth works, infrastructure works, building works for BBSAP including Phase 1B, 1C, 1D, 2B, 2A&2C, 2D and 3B	Residential and Commercial	Taraf, a wholly owned subsidiary of Blossom, except for Phase 1B (Prima) of which PR1MA Corporation Malaysia is the developer	RM1.71 billion	March 2017 to December 2019	June 2017 to December 2020	March 2020 to November 2022
2	LTI	Consisting of earth works, infrastructure works, building works for LTI including Phase 1, Phase 2 and Phase 3A&3B	Residential and Commercial	Taraf, a wholly owned subsidiary of Blossom				

**Notes:-**

(i) Notwithstanding the contracts awarded above are predominantly from Taraf (a wholly-owned subsidiary of Blossom) and forms part of the computation of Unrealised Margin in relation to the Proposed Rantau Acquisition, the Unrealised Margins will not be affected upon consolidation of inter-company transactions between Blossom Group and Rantau as the Unrealised Margins are calculated based on cost contracted/to be contracted with non-related party contractors. As such, following the completion of the Proposed Acquisitions and upon consolidation of DBE Group and the Target Companies, the Unrealised Margins represents external profits to be recognised by the enlarged DBE Group during the course of undertaking Rantau's outstanding orderbook.

(ii) The construction contracts were awarded by Blossom Group to Rantau in different stages depending on the type of construction work needed and the launch dates for the respective phases. Accordingly, the progress of completion for each project above (save for Phase 1B (Prima)) are as disclosed under "Stage of completion as at date of valuation", Section 1.7 of Appendix I of the Circular. In regards to Phase 1B (Prima) of which PR1MA Corporation Malaysia is the developer, the progress of completion as at 31 December 2019 is approximately 50%.

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

(b) Details of the recent major construction projects completed by Rantau are as follows:-

No.	Name	Description / Location of Project	Type of Project	Owner of Project	Contract Value	Commencement Date	Completion date
1.	Phase 1A	Part of the on-going township development known as BBSAP	Residential	Taraf, a wholly owned subsidiary of Blossom	RM76.83 million	October 2016	March 2019
2.	SOHO, Seri Iskandar	SOHO units	Residential	Yik Wang Development Sdn Bhd	RM14.40 million	December 2016	November 2019
3.	Taman Tronoh Akasia, Phase 1 and 2	Part of the on-going township development known as Taman Tronoh Akasia	Residential	Blossom	RM14.80 million	October 2015	July 2018
4.	Setia Residence, Phase 5	Part of the on-going township development known as Setia Residence	Residential and Commercial	Blossom	RM8.65 million	October 2015	November 2017

In relation to the above, Taraf and Blossom is the subject matter of the Proposed Acquisitions while Yik Wang Development Sdn Bhd is a company related to the Vendors whilst PR1MA Corporation Malaysia is not a party connected to the Vendors.

**2.8 Material Contracts**

As at the LPD, save for the sale and purchase agreement dated 3 May 2019 between Yik Wang Development Sdn Bhd (as vendor), Rantau (as purchaser) and Nik Zaidah Binti Mohd Zain and Sarbudeen Bin Mohamed Kiyastheen (as proprietors) in respect of all that pieces of land held under the land titles PN 398165, 398166, 398141, 398143, 398146, Lot 15767, 15768, 15769, 15770, 15771, Bandar Seri Iskandar, District of Perak Tengah, State of Perak for a purchase consideration of RM3,610,000, there are no other material contracts (not being contract entered into in the ordinary course of business) which have been entered into by Rantau during the past two (2) years immediately preceding the date of this Circular. The said sale and purchase transaction has been completed in accordance with the terms of the sale and purchase agreement.

**2.9 Material Litigations**

As at the LPD, Rantau is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of Rantau confirm that there are no proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial positions or business of Rantau.

**2.10 Material Commitments**

As at the LPD, save for the construction costs to be incurred on Rantau's existing orderbook, the directors of Rantau confirm that there are no material commitments contracted or known to be contracted by Rantau that is likely to have an impact on Rantau's profits or NA upon becoming enforceable.

**2.11 Contingent Liabilities**

As at the LPD, the directors of Rantau confirm that there are no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on Rantau's profits or NA.

**3. Yik Wang****3.1 Background Information**

Yik Wang was incorporated in Malaysia on 12 April 2004 as a private limited company under the Companies Act 1965 and is deemed registered under the Act.

It is principally engaged in trading of building materials and hardware such as steel bars, wire mesh, cement, bricks, tiles and sanitary wares. The major customers of Yik Wang are predominantly construction companies located in Perak while its major suppliers are mostly local entities located in Perak and northern Malaysia.

**3.2 Share Capital**

The existing issued and fully paid-up share capital of Yik Wang as at the LPD is RM4,000,000 comprising 4,000,000 ordinary shares in Yik Wang.

## APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)

### 3.3 Substantial Shareholders

The substantial shareholders of Yik Wang as well as their respective shareholdings as at the LPD are as follows:-

Name	Nationality	Direct		Indirect	
		No. of Yik Wang Shares	%	No. of Yik Wang Shares	%
DDJM	Malaysian	1,200,000	30	-	-
DDTL	Malaysian	1,200,000	30	-	-
DDJC	Malaysian	1,200,000	30	-	-
DDNC	Malaysian	200,000	5	-	-
DLHK	Malaysian	200,000	5	-	-

### 3.4 Directors' shareholdings

As at the LPD, the directors of Yik Wang are DDJM, DDTL and DDJC. Their particulars as well as their shareholdings are set out in Section 3.3 above.

### 3.5 Subsidiary and Associated Company

As at the LPD, Yik Wang does not have any subsidiary or associated company.

### 3.6 Historical Financial Information

A summary of the historical financial information of Yik Wang based on its audited financial statements for the FYE 31 December 2017 to FYE 31 December 2019 is as follows:-

	Audited FYE 31 December		
	2017 Restated (RM'000)	2018 (RM'000)	2019 (RM'000)
Revenue	45,205	84,949	87,371
PBT	2,036	4,606	3,457
PAT	1,641	3,506	2,625
NA	9,838	12,677	17,302
Total borrowings	16,746	30,862	32,812
Share capital	2,000	2,000	4,000
No. of Yik Wang shares issued	2,000	2,000	4,000
NA per share (RM)	4.92	6.34	4.33
Net EPS (RM)	0.82	1.75	0.66
Current ratio (times)	1.19	1.21	1.29
Gearing ratio (times)	1.70	2.43	1.90

#### 3.6.1. Commentaries for financial performance

##### FYE 31 December 2018 vs FYE 31 December 2017

Yik Wang's revenue increased by approximately RM39.74 million for the FYE 31 December 2018, representing an increase of 87.92% as compared to the FYE 31 December 2017. The increase in revenue was mainly due to higher sales from its existing customers.

In addition, Yik Wang recorded a PAT of approximately RM3.51 million for the FYE 31 December 2018, representing an increase of 113.65% as compared to the FYE 31 December 2017, in line with the increase in the revenue, as highlighted above.



The total borrowings as at FYE 31 December 2018 increased by RM14.12 million, representing an increase of 84.29% as compared to FYE 31 December 2017, which was used to fund its working capital.

#### **FYE 31 December 2019 vs FYE 31 December 2018**

Yik Wang's revenue increased slightly by approximately RM2.42 million for the FYE 31 December 2019 as compared to the FYE 31 December 2017 but the PBT for the FYE 31 December 2019 decrease by approximately RM1.15 million, representing a decrease of 24.95% as compared to the FYE 31 December 2018 due increase in price of the ready-mix concrete during the year.

The NA of Yik Wang as at FYE 31 December 2018 increased by approximately RM4.63 million, representing an increase of 36.48% as compared to the FYE 31 December 2017 mainly due to the issuance of new ordinary shares in Yik Wang.

#### **3.6.2. Accounting Policies and audit qualification**

For the past three (3) FYEs 31 December 2017, 31 December 2018 and 31 December 2019 under review:-

- (i) there were no exceptional or extraordinary items;
- (ii) there are no accounting policies adopted by Yik Wang which are peculiar to Yik Wang due to the nature of its business or the industry in which it is involved in; and
- (iii) Yik Wang's external auditors had not issued any audit qualification on its financial statements

#### **3.7 Material contracts**

As at the LPD, there are no material contracts (not being contract entered into in the ordinary course of business) which have been entered into by Yik Wang during the past two (2) years immediately preceding the date of this Circular.

#### **3.8 Material litigations**

As at the LPD, Yik Wang is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of Yik Wang confirm that there are no proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial positions or business of Yik Wang.

#### **3.9 Material commitments**

As at the LPD, the directors of Yik Wang confirm that there are no material commitments contracted or known to be contracted by Yik Wang that is likely to have an impact on Yik Wang's profits or NA upon becoming enforceable.

#### **3.10 Contingent liabilities**

As at the LPD, the directors of Yik Wang confirm that there are no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on Yik Wang's profits or NA.

**4. Information on the Vendors****4.1. DDJM**

DDJM is one of the Vendors of Rantau and Yik Wang. He is also the Managing Director and a major shareholder of DBE via direct shareholdings in DBE and his indirect shareholdings in Doh Properties through Setia Awan.

DDJM holds a Master of Business Administration from the International Teaching University of Georgia, Netherlands. He has accumulated more than 17 years of working experience in property development and construction business.

DDJM also owns and holds directorships in several private limited companies in the business of housing and property development, provision of hotel services, food and beverages, and education services where he has been actively involved in their management and operations and has steered the growth of these companies. He is also a life corporate member of the Perak Chinese Chamber of Commerce and Industry.

He is the brother of DDTL and DDJC, and the son of DDNC and DLHK.

**4.2. DDTL**

DDTL is one of the Vendors of Rantau and Yik Wang. He is also the Non-Independent Non-Executive Chairman and a major shareholder of DBE via his indirect shareholdings in Doh Properties through Setia Awan.

DDTL holds a Bachelor of Science (Hons) in Civil Engineering from the Ohio State University, United States of America. He started his career as a Marketing Manager in Pangkor Coral Bay Resort in 1998 and also owns and holds directorships in several private limited companies mainly in the property development and construction sectors.

He is the brother of DDJM and DDJC, and the son of DDNC and DLHK.

**4.3. DDJC**

DDJC is one of the Vendors of Rantau and Yik Wang. He is also the Non-Independent Non-Executive Director and a major shareholder of DBE via his indirect shareholdings in Doh Properties through Setia Awan.

DDJC holds a Bachelor of Science in Econometrics from the University of Bath, United Kingdom and has vast experience in development of residential, commercial and resort projects for the past 20 years. He also owns and holds directorships in several private limited companies and draws on his expertise to oversee the marketing and administrative aspects of these companies.

He is the brother of DDJM and DDTL, and the son of DDNC and DLHK.

**4.4. DDNC**

DDNC is one of the Vendors of Yik Wang and a shareholder of DBE via his indirect shareholdings in Doh Properties through Setia Awan.

He is the father of DDJM, DDTL and DDJC, and the spouse of DLHK.

**4.5. DLHK**

DLHK is one of the Vendors of Yik Wang and a shareholder in DBE via her indirect shareholdings in Doh Properties through Setia Awan.

She is the mother of DDJM, DDTL and DDJC, and the spouse of DDNC.

## APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)

### 4.6. Doh Properties

Doh Properties is the vendor of Blossom and a major shareholder of DBE. Doh Properties was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 16 November 2015. Doh Properties is principally involved in investment holdings.

As at the LPD, Doh Properties' issued share capital is RM3 comprising 3 ordinary shares. The directors of Doh Properties are DDJM, DDTL and DDJC.

As at the LPD, Doh Properties is a wholly-owned subsidiary of Setia Awan. Setia Awan is collectively hold by DDJM, DDTL, DDJC, DDNC and DLHK. DDJM, DDTL and DDJC each hold 30% shareholdings in Setia Awan. The shareholders of Doh Properties are as follows:-

Name	Direct		Indirect	
	No. of Doh Properties shares	%	No. of Doh Properties shares	%
Setia Awan	3	100	-	-
DDJM	-	-	3 <sup>(i)</sup>	100
DDTL	-	-	3 <sup>(i)</sup>	100
DDJC	-	-	3 <sup>(i)</sup>	100

**Note:-**

(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.

### 5. Information on Lagenda

Lagenda was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 16 November 2015. Lagenda is principally involved in property development. However, Lagenda has remained dormant since incorporation.

As at the LPD, Lagenda's issued share capital is RM3 comprising 3 ordinary shares. The directors of Lagenda are DDJM, DDTL and DDJC.

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

Name	Direct		Indirect	
	No. of Lagenda shares	%	No. of Lagenda shares	%
DDJM	1	33.33	-	-
DDTL	1	33.33	-	-
DDJC	1	33.33	-	-

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**
**6. Original Date and Cost of Investment**

The original date and cost of investment in Blossom, Rantau and Yik Wang by the Vendors are as follows:-

<b>Target Companies</b>	<b>Vendors</b>	<b>Date of investment</b>	<b>No. of Target Companies shares</b>	<b>Original cost of investment RM</b>
Blossom	Doh Properties	26 November 2019	50,000,000	50,000,000
		6 February 2020	500,000	500,000
			<b>50,500,000</b>	<b>50,500,000</b>
Rantau	DDJM	25 November 2002	2,987	2,987
		3 April 2004	125,000	125,000
		18 March 2014	32,013	32,013
		23 July 2015	170,000	170,000
			<b>330,000</b>	<b>330,000</b>
	DDTL	14 August 2000	1	1
		25 November 2002	2,987	2,987
		3 April 2004	125,000	125,000
		18 March 2014	32,012	32,012
		23 July 2015	170,000	170,000
		<b>330,000</b>	<b>330,000</b>	
	DDJC	25 November 2002	3,811	3,811
3 April 2004		150,000	150,000	
18 March 2014		16,189	16,189	
23 July 2015		170,000	170,000	
		<b>340,000</b>	<b>340,000</b>	
Yik Wang	DDJM	12 April 2004	1	1
		15 June 2012	100,000	100,000
		10 July 2012	49,999	49,999
		8 August 2017	450,000	450,000
		30 September 2019	600,000	600,000
		<b>1,200,000</b>	<b>1,200,000</b>	
	DDTL	12 April 2004	1	1
		15 June 2012	100,000	100,000
		10 July 2012	49,999	49,999
		8 August 2017	450,000	450,000
30 September 2019		600,000	600,000	
	<b>1,200,000</b>	<b>1,200,000</b>		

**APPENDIX I – INFORMATION ON THE TARGET COMPANIES (CONT'D)**

<b>Target Companies</b>	<b>Vendors</b>	<b>Date of investment</b>	<b>No. of Target Companies shares</b>	<b>Original cost of investment RM</b>
Yik Wang	DDJC	12 April 2004	1	1
		15 June 2012	100,000	100,000
		10 July 2012	49,999	49,999
		8 August 2017	450,000	450,000
		30 September 2019	600,000	600,000
			<b>1,200,000</b>	<b>1,200,000</b>
	DDNC	10 July 2014	25,000	25,000
		8 August 2017	75,000	75,000
		30 September 2019	100,000	100,000
			<b>200,000</b>	<b>200,000</b>
	DLHK	10 July 2014	25,000	25,000
		8 August 2017	75,000	75,000
		30 September 2019	100,000	100,000
			<b>200,000</b>	<b>200,000</b>

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**APPENDIX I(A) – SUMMARY OF PURCHASE CONSIDERATION**

**7. Breakdown of purchase consideration under the Proposed Acquisitions:-**

No.	Target Company	Vendors <sup>(i)</sup>	Purchase consideration (RM)	Mode of settlement		Consideration RCPS (up to) (RM)
				Consideration Shares (RM)	Cash (RM)	
1	Blossom - Proposed Blossom Acquisition	- Doh Properties	Up to 642,546,412	71,383,062 <sup>(iii)</sup>	-	571,163,350 <sup>(ii)</sup>
2	Rantau - Proposed Rantau Acquisition	- DDJM - DDTL - DDJC	148,269,909	-	148,269,909	-
3	Yik Wang - Proposed Yik Wang Acquisition	- DDJM - DDTL - DDJC - DDNC - DLHK	Up to 32,500,000	15,332,194 <sup>(iv)</sup>	Up to 17,167,806	-
<b>TOTAL</b>			<b>823,316,321</b>	<b>86,715,256</b>	<b>165,437,715</b>	<b>571,163,350</b>

**Notes:-**

- (i) The Vendors have nominated Lagenda to receive the purchase consideration arising from the Proposed Acquisitions.
- (ii) Comprised 716,192,288 RCPS which includes 76,550,572 Retention RCPS for the settlement of the Uncomplete Portion of Teluk Intan Land. The RCPS shall be issued at the Issue Price of RM0.7975 per RCPS.
- (iii) Consisting of 89,508,542 Consideration Shares to be issued at the Issue Price of RM0.7975 per Consideration Share.
- (iv) Consisting of 19,225,322 Consideration Shares to be issued at the Issue Price of RM0.7975 per Consideration Share.