

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Circular as well as the valuation certificate as set out in **Appendix III** of this Circular, 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.



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MELATI EHSAN HOLDINGS BERHAD

(Registration No. 200401034784 (673293-X))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PART A

- (I) **PROPOSED ACQUISITION OF AN UNSUBDIVIDED PARCEL OF COMMERCIAL DEVELOPMENT LAND IDENTIFIED AS PLOT 9 MEASURING APPROXIMATELY 4.008 ACRES FORMING PART OF A MASTER TITLE NO. HS(D) 119301, LOT NO. PT 26689, TEMPAT OF TAMAN PUTRA JINJANG UTARA, MUKIM OF BATU, DISTRICT OF KUALA LUMPUR, STATE OF WILAYAH PERSEKUTUAN KUALA LUMPUR ("ACQUISITION LAND") BY PEMBINAAN KERY SDN BHD ("PKSB"), A WHOLLY-OWNED SUBSIDIARY OF MELATI EHSAN HOLDINGS BERHAD ("MEHB") FROM MEGA LEGACY (M) SDN BHD ("MLSB"), AN INDIRECT SUBSIDIARY OF UEM SUNRISE BERHAD FOR A CASH CONSIDERATION OF RM85.0 MILLION ("PROPOSED ACQUISITION"); AND**
- (II) **PROPOSED JOINT DEVELOPMENT BETWEEN PKSB AND MLSB TO UNDERTAKE THE DEVELOPMENT OF THE ACQUISITION LAND ("PROPOSED JOINT DEVELOPMENT"),**
- (COLLECTIVELY REFERRED AS THE "PROPOSALS")**

PART B

INDEPENDENT ADVICE LETTER FROM ECO ASIA CAPITAL ADVISORY SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF MEHB IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



M&A SECURITIES SDN BHD

(Registration No. 197301001503 (15017-H))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser



ECO ASIA CAPITAL ADVISORY SDN BHD

(Registration No. 201801022562 (1284581-H))

(Independent Adviser- Corporate Finance CMSL/A0360/2019)
(Licensed by Securities Commission Malaysia)

The Extraordinary General Meeting ("EGM") of Melati Ehsan Holdings Berhad will be held and conducted via an online portal from the broadcast venue at Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, on Thursday, 28 December 2023 at 10.00 a.m. or at any adjournment thereof. The notice of EGM together with the Form of Proxy, are enclosed herewith in this Circular.

If you are unable to attend and vote in person at the EGM, you may complete and return the relevant Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Registered Office of the Company, not later than 24 hours before the date and time fixed for the EGM or any adjournment thereof. The lodging of the Proxy Form will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy for the EGM: Wednesday, 27 December 2023 at 10.00 a.m.

Date and time of the EGM: Thursday, 28 December 2023 at 10.00 a.m.

This Circular is dated 8 December 2023

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

Acquisition Land	: An unsubdivided parcel of commercial development land identified as Plot 9 measuring approximately 4.008 acres forming part of a master title No. HS(D) 119301, Lot No. PT 26689, Tempat of Taman Putra Jinjang Utara, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Acquisition Land Title	: Individual title of the Acquisition Land which is yet to be issued and currently forms part of a master title
Board	: Board of Directors of MEHB
Bursa Securities	: Bursa Malaysia Securities Berhad
Circular	: This circular to the shareholders of MEHB in relation to the Proposals dated 8 December 2023
Development Rights Value	: The Minimum Guaranteed Value or the aggregate of the Purchase Consideration and 20% of the profit from the Project, whichever is higher
DRA	: The development rights agreement dated 11 September 2023 entered into between PKSB and MLSB in relation to the Proposed Joint Development
Eco Asia or Independent Adviser	: Eco Asia Capital Advisory Sdn Bhd
EGM	: Extraordinary General Meeting
EPS	: Earnings per share
FYE	: Financial year ended/ending, as the case may be
GDC	: Gross development costs
GDV	: Gross development value
Interested Directors	: Tan Sri Dato' Yap Suan Chee and Yap Wei Sam, collectively
Interested Major Shareholders	: Tan Sri Dato' Yap Suan Chee, Puan Sri Datin Teng Siew Kean and Yap Wei Sam, collectively
Kiara Bay	: A mixed-use commercial township development measuring approximately 72.74 acres and is located in Kepong, Kuala Lumpur that is currently being developed by MLSB
Laurelcap or Valuer	: Laurelcap Sdn Bhd, the independent registered valuer appointed by MEHB for undertaking the valuation of the Acquisition Land
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 30 November 2023, being the latest practicable date prior to the printing of this Circular

DEFINITIONS (cont'd)

M&A Securities or Principal Adviser	:	M&A Securities Sdn Bhd
MEHB Group or Group	:	MEHB and its subsidiaries, collectively
MEHB or Company	:	Melati Ehsan Holdings Berhad
MEHB Share(s)	:	Ordinary share(s) in MEHB
Minimum Guaranteed Value	:	Minimum guaranteed value of RM93,500,000, being the aggregate of the Purchase Consideration and a sum equivalent to 10.0% of the Purchase Consideration
MLSB or Vendor	:	Mega Legacy (M) Sdn Bhd, a 50%+1 share owned subsidiary of Sunrise Berhad, which in turn is a wholly-owned subsidiary of UEM Sunrise Berhad
NA	:	Net assets
PKSB	:	Pembinaan Kery Sdn Bhd, a wholly-owned subsidiary of MEHB
Project	:	The proposed residential development consisting of 3 blocks of serviced apartments with 1,160 units to be undertaken at the Acquisition Land pursuant to the Proposed Joint Development
Project Profit	:	The development profit of the Project, being the GDV less the GDC of the Project
Proposals	:	The Proposed Acquisition and Proposed Joint Development, collectively
Proposed Acquisition	:	Proposed acquisition of the Acquisition Land by PKSB from MLSB for the Purchase Consideration pursuant to the SPA
Proposed Joint Development	:	Proposed joint development between PKSB and MLSB to undertake the development of the Acquisition Land in return for the Development Rights Value pursuant to the DRA
Purchase Consideration	:	The total cash consideration for the Proposed Acquisition amounting to RM85,000,000
RM and sen	:	Ringgit Malaysia and sen, respectively
SPA	:	The conditional sale and purchase agreement dated 11 September 2023 entered into between PKSB and MLSB in relation to the Proposed Acquisition
sq ft	:	Square feet
Tenancy	:	The tenancy of part of the Acquisition Land to the Tenant pursuant to the Tenancy Agreement
Tenancy Agreement	:	The tenancy agreement dated 29 July 2021 between MLSB and the Tenant
Tenant	:	Orangebeam Construction Sdn Bhd

DEFINITIONS (cont'd)

For the purpose of this Circular, all references to a time of day shall be a reference to Malaysian time unless otherwise stated. In this Circular, words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall, where applicable, include corporations. Any reference in this Circular to any enactments is a reference to that enactment as for the time being amended or re-enacted. Certain figures included in this Circular have been subject to rounding adjustments. References to "we", "us", "our" and "ourselves" are to our Company save where the context otherwise requires, our subsidiaries and to "you" or "your" are to the shareholders of the Company.

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PART A

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

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. SHAREHOLDERS OF MEHB ARE ADVISED TO READ THE CIRCULAR AND ITS APPENDICES FOR FURTHER DETAILS AND NOT TO SOLELY RELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF THE COMPANY.

Key information	Description	Reference to Circular
Details of the Proposals	<p>The Proposed Acquisition entails the proposed acquisition of the Acquisition Land by PKSB from MLSB for the Purchase Consideration pursuant to the SPA.</p> <p>The Proposed Joint Development entails the proposed joint development between PKSB and MLSB to undertake the development of the Acquisition Land in which PKSB will grant MLSB the sole and exclusive irrevocable rights to develop the Acquisition Land and to sell the units developed from the Project, in return for the Development Rights Value pursuant to the DRA.</p>	Section 2 and Section 3
Rationale	<p>The Proposed Acquisition allows an opportunity for MEHB to expand the property development segment of the Group and participate in the Proposed Joint Development, which is located in Kiara Bay.</p> <p>The Group is not required to provide additional contribution to the GDC of the Project other than the cost of the Acquisition Land. In return, the Group will be entitled to the Development Rights Value with the Minimum Guarantee Value of RM93.50 million, representing a minimum profit of 10% of the Purchase Consideration equivalent to RM8.50 million from the Proposed Joint Development, in addition to the reimbursement of the Purchase Consideration.</p> <p>Given the strategic location of the Acquisition Land, the Board is confident that the Proposed Joint Development is expected to enhance the Company's profitability and returns on shareholders' funds.</p>	Section 4
Risk factors	<p>(a) The Proposals are subject to the terms and conditions of the SPA and DRA. In the event the conditions precedent stated in the SPA are not fulfilled, the SPA may be terminated;</p> <p>(b) There can be no assurance that the anticipated benefits arising from the Project will fully materialise in the future as the Proposed Joint Development is subject to certain risks inherent in the property development and construction industry; and</p> <p>(c) There is a risk of a compulsory acquisition being imposed on the Acquisition Land by authorities.</p>	Section 6

EXECUTIVE SUMMARY (cont'd)

Key information	Description	Reference to Circular
Approvals required	: (a) shareholders of MEHB at the forthcoming EGM to be convened for the Proposals; and (b) any other relevant parties, if required.	Section 8
Interest of directors and major shareholders and/or persons connected with them	: Save for the Interested Directors and Interested Major Shareholders of MEHB as disclosed under Section 11 of Part A of this Circular, none of the Directors and/or major shareholders of the Company, if any, and persons connected with them have any interests, direct and/or indirect, in the Proposals. The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of MEHB in relation to the Proposals. The Interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in MEHB, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM of the Company to be convened. They will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in MEHB, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM of the Company to be convened.	Section 11
Directors' statements and recommendation	: The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the salient terms of the SPA and DRA, rationale of the Proposals, basis and justifications of arriving at the Purchase Consideration and Development Rights Value, as well as the evaluation of the Independent Adviser, is of the opinion that the Proposals are fair, reasonable and on normal commercial terms, not detrimental to the interest of the non-interested shareholders and in the best interest of Group. 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.	Section 12

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MELATI EHSAN HOLDINGS BERHAD
(Registration No. 200401034784 (673293-X))
(Incorporated in Malaysia)

Registered Office:
No. 5, Jalan Titiwangsa
53200 Kuala Lumpur
Malaysia

8 December 2023

Board of Directors:

Tan Sri Dato' Yap Suan Chee (*Executive Chairman*)
Yap Wei Sam (*Executive Director*)
Dato' Mohd Zain bin Yahya (*Independent Non-Executive Director*)
Hidzir bin Yahya (*Independent Non-Executive Director*)
Clifford Anthony Clement (*Independent Non-Executive Director*)
Loo Yeok Bee (*Independent Non-Executive Director*)

To: Shareholders of MEHB

- (I) PROPOSED ACQUISITION; AND**
- (II) PROPOSED JOINT DEVELOPMENT**

(COLLECTIVELY REFERRED AS THE "PROPOSALS")

1. INTRODUCTION

On 11 September 2023, M&A Securities had, on behalf of the Company, announced that PKSB had entered into the following with MLSB:

- (a) the SPA for the proposed acquisition of the Acquisition Land for the Purchase Consideration pursuant to the Proposed Acquisition; and
- (b) the DRA with regard to the development of the Acquisition Land in return for the Development Rights Value pursuant to the Proposed Joint Development.

The Proposals are deemed related party transactions pursuant to Paragraph 10.08 of the Listing Requirements, further details of which are set out in Section 11 of Part A of this Circular.

Further details of the Proposals are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING BY WAY OF POLL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED ACQUISITION

The Proposed Acquisition entails PKSB acquiring the Acquisition Land from MLSB for the Purchase Consideration.

The salient terms of the SPA are set out in **Appendix I** of this Circular.

2.1 Details of the Acquisition Land

The Acquisition Land Title is yet to be issued. The application for the subdivision of the master title for the Acquisition Land Title is expected to be made in the third quarter of 2024.

Details of the Acquisition Land are summarised below:

Registered owner	: Mega Legacy (M) Sdn Bhd
Master title details	: HS(D) 119301, Lot No. PT 26689, Tempat of Taman Putra Jinjang Utara, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan of Kuala Lumpur
Description	: An unsubdivided parcel of vacant commercial development land identified as Plot 9 measuring approximately 4.008 acres which forms part of a mixed commercial development known as Kiara Bay
Tenure	: Leasehold (99 years expiring on 29 December 2112)
Plot 9 Land area	: 4.008 acres (forming part of the master land area of 10.681 acres)
Category of land use	: Building
Express condition	: The Acquisition Land shall be used for commercial development purposes only
Restriction-in-interest	: The Acquisition Land cannot be transferred, mortgaged, leased, sub-leased or any other form of transaction without prior consent of the local authority
Encumbrances	: Nil
Date of valuation	: 24 August 2023
Method of valuation	: Income approach by way of "residual method" and comparison approach
Valuer	: Laurelcap Sdn Bhd
Market value	: RM85.0 million
Net book value	: RM71.1 million, based on MLSB's latest audited financial statements as at 31 August 2022

Original cost of : RM36,800,000
investment

Original date of : 13 April 2018
investment

Currently, the Acquisition Land is partially vacant and partially tenanted to the Tenant pursuant to the Tenancy Agreement. The Tenant is a contractor for Residensi AVA, which is an ongoing development project currently being undertaken by MLSB. The Tenant is occupying the Acquisition Land as labour quarters. The Tenant is not a related company to the MEHB Group.

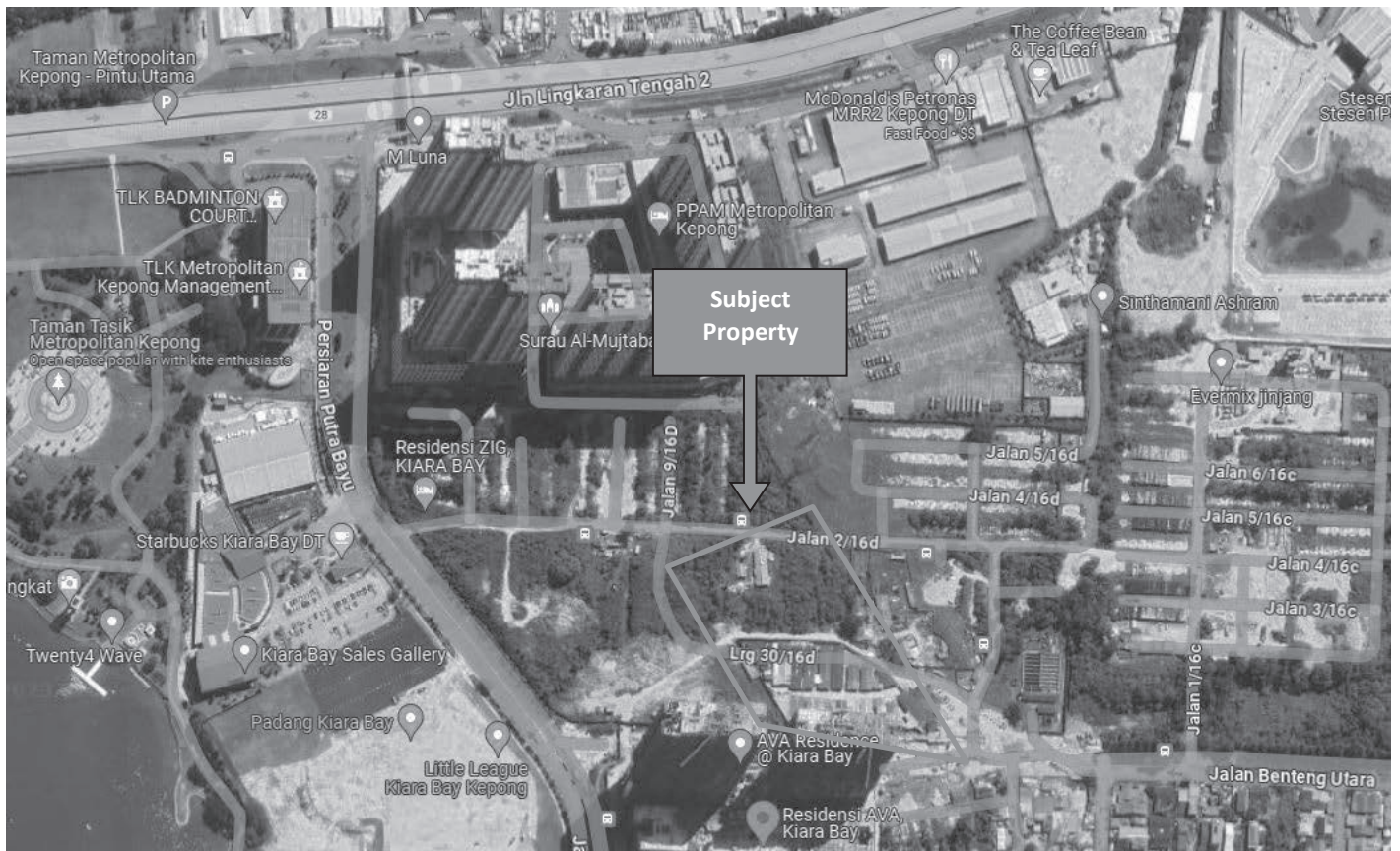
Pursuant to the SPA, PKSB will enter into a new tenancy agreement with the Tenant on the same terms as the current Tenancy. The salient terms of the Tenancy Agreement are as follows:

- Monthly rental : RM28,150.00
- Duration : 1 August 2021 to 1 April 2024 (32 months), any extension shall be subject to MLSB's consent
- Location : Part of Lot PT 26689, Mukim Batu (Plot 9)
- Land area : 5,695.3 square metre (1.4 acres)
- Permitted use : As workers quarters only
- Relocation : The Tenant is subjected to a one time relocation to other plots belonging to MLSB subject to MLSB's selection and upon instruction from MLSB without additional costs within 3 months from the date of instruction
- Removal : The Tenant shall remove at its own cost, any structure or outlet that is constructed or erected by the Tenant and make good to the satisfaction of MLSB within 14 days from the expiration or earlier termination of the Tenancy
- Termination : Both MLSB and the Tenant shall serve a minimum of 3 months' notice in writing for the termination of the Tenancy Agreement

MEHB Group is not involved in the development or construction of other ongoing or completed projects within Kiara Bay to-date.

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The location of the Acquisition Land is illustrated below:



The Acquisition Land is situated along the Jalan Benteng Utara off the west bound Middle Ring Road 2 (MRR2), within Kiara Bay, Kepong. The Acquisition Land is situated approximately 15.00 kilometres north west of Kuala Lumpur City Centre and 22.00 kilometres north east of Petaling Jaya new town respectively. The Acquisition Land is approachable from Kuala Lumpur City Centre via Jalan Pinang, Jalan Perak, P. Ramlee, Jalan Sultan Ismail leading onto Jalan Kuching, thereonto west bound towards the Middle Ring Road 2 (MRR2), exiting onto Persiaran Putra Baru, Jalan 2/16D and finally onto Jalan Benteng Utara to where the land is located.

The immediate surrounding of the Acquisition Land comprises commercial development lands, warehouses, serviced apartment developments and detached houses. On the southern periphery of the Acquisition Land is Residensi AVA, forming part Kiara Bay and occupying about 4.40 acres of leasehold land. The project is being developed by MLSB which consist of 870 units of service apartment and is expected to be completed in 2024.

Toward the northern direction lies the M Luna, a serviced apartment development covering an area of about 5.47 acres and developed by Mah Sing Group. The project comprises 1,672 serviced apartment units which is expected to be completed in 2023. Towards the western direction lies the Taman Tasik Metropolitan Kepong covering an area spanning across 218.8 acres. The alluring lake is a 3.50 kilometres loop which is popular for walking, running and cycling. It also comprises a children's playground, football field and outdoor fitness equipment.

Pursuant to the Proposed Joint Development, the Project will be undertaken on the Acquisition Land which comprises the development of 3 blocks of serviced apartments with 1,160 units. The Acquisition Land is located within Kiara Bay. Kiara Bay comprise of residential units, retail mall, retail street, office space, hotel, healthcare centre and education hubs. The whole Kiara Bay development is targeted to be completed by 2040.

Kiara Bay has been granted a development order by Dewan Bandaraya Kuala Lumpur on 8 January 2002, thereafter amended development orders dated 14 August 2017 and 12 February 2020 respectively. Subsequently, the latest amended development order dated 31 January 2022 was issued to MLSB.

As the current express condition of the Acquisition Land is to be used for commercial development purposes only, MLSB shall bear the land conversion premium to convert the express condition of the Acquisition Land for residential development.

Further details of the Project are set out below in Section 3.1 of Part A of this Circular.

2.2 Basis of the Purchase Consideration

The Purchase Consideration was arrived based on a “willing buyer-willing seller” basis, after taking into consideration, inter alia:

- (a) the market value of RM85.0 million as appraised by Laurelcap based on the valuation report dated 24 August 2023. In arriving at the market value, the Valuer had adopted the residual method and the comparison approach; and
- (b) the property development potential of the Acquisition Land, in view that the Acquisition Land is located strategically at an established area in Kepong.

The Valuer had determined the market value of the Property to be RM85.0 million based on the residual method and comparison approach as follows:

Valuation method	Description	Market Value RM'000
Residual method	This method entails the determining of the total GDV and deducting from this the costs of construction and site works, professional fees, interest on capital borrowed, contingencies and developer’s risk and profit. The residual is the value of the site and this is deferred for the period of development to arrive at the current market value of the site.	85,000
Comparison approach	This method involved comparing the Acquisition Land with recently transacted properties of a similar nature or offers for sale/rental of similar properties in the area. Adjustments are then made for differences in location, size and shape of the lot, size, market conditions and other factors in order to arrive at a common basis for comparison.	85,000

Please refer to **Appendix III** of this Circular for the valuation certificate of the Acquisition Land.

The Board (save for the Interested Directors) is of the view that the Purchase Consideration is fair as it represents the market value of the Acquisition Land as appraised by Laurelcap.

2.3 Source of funding

The Purchase Consideration shall be funded via internally-generated funds of MEHB Group. The Group expects to generate funds from its business operations which includes the collection from its trade receivables from its existing property development and construction projects within 4 months of the Unconditional Date (as defined in Appendix I of this Circular) to settle the Purchase Consideration pursuant to the SPA.

The deposit paid for the Proposed Acquisition is not refundable. There are no terms of arrangement for payment on a deferred basis. Pursuant to the SPA, the Purchase Consideration shall be settled within 4 months from the Unconditional Date, with an automatic extension of 30 days at an interest rate of 8.0% per annum, if the Purchase Consideration is not fully settled within 4 months.

2.4 Assumption of liabilities

There are no liabilities, including contingent liabilities and guarantees to be assumed by MEHB Group pursuant to the Proposed Acquisition.

2.5 Additional financial commitment

There is no other material additional financial commitment expected to be incurred by MEHB Group in relation to the Proposed Acquisition.

2.6 Information on MLSB

MLSB was incorporated on 14 June 1994. The principal activities of MLSB are property development and investment. As at LPD, the issued share capital of MLSB is RM256,560,262.12 comprising 1,000,001 ordinary shares. The directors of MLSB are Zaida Khalida binti Shaari, Sufian bin Abdullah, Hafizuddin bin Sulaiman, Tan Sri Dato' Yap Suan Chee (Alternate Director: Yap Wei Sam) and Lim Tong Hee (Alternate Director: Chan Chee Yean). The shareholders of MLSB are Sunrise Berhad (50% + 1 share) and Mega Legacy Equity Sdn Bhd (50%). Hence, Sunrise Berhad retains majority control in MLSB. Puan Sri Datin Teng Siew Kean, who is the spouse of Tan Sri Dato' Yap Suan Chee and Yap Wei Sam, who is the child of Tan Sri Dato' Yap Suan Chee, are shareholders of Mega Legacy Equity Sdn Bhd. Puan Sri Datin Teng Siew Kean and Yap Wei Sam each holds 47% shareholdings in Mega Legacy Equity Sdn Bhd.

MLSB is a subsidiary of Sunrise Berhad, a wholly-owned subsidiary of UEM Sunrise Berhad, a public company listed on the Main Market of Bursa Securities.

2.7 Information on PKS B

PKSB was incorporated on 7 February 1994. PKSB is principally involved in turnkey and general contractor services. As at LPD, the issued share capital of PKSB is RM10,000,000 comprising 10,000,000 ordinary shares. The directors of PKSB are Tan Sri Dato' Yap Suan Chee, Dato' Mohd Zain Bin Yahya, Datuk Ir. Leong Chee Kian and Radzulai Bin Yahaya.

PKSB is a wholly-owned subsidiary of MEHB.

3. PROPOSED JOINT DEVELOPMENT

Pursuant to the DRA, PKSB will grant MLSB the sole and exclusive irrevocable rights to develop the Acquisition Land and to sell the units developed from the Project, subject to the completion of the SPA.

PKSB and MLSB agree that the Acquisition Land shall be developed into a residential development subject to some supporting commercial units (such as laundry services, kindergarten and other minimal retail spaces for compliance to authorities) as may be deemed desirable by MLSB. The type, nature, design and timeline of the Project shall be determined solely by MLSB taking into consideration the prevailing market conditions and sentiments provided always that development over the Acquisition Land shall be given priority over the development of the land adjacent to the Acquisition Land, which is currently owned and to be developed by MLSB and bearing the title no. PN 54546 Lot 82362, Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan ("**Plot 8**"). Plot 8 is currently yet to be developed. The specifics and details of the development project at Plot 8, including the expected commencement and completion date of construction, have yet to be determined at this juncture.

The sole and exclusive rights to develop the Acquisition Land has been granted to MLSB as the Acquisition Land is located within Kiara Bay township which is being developed by MLSB. As the developer of Kiara Bay, MLSB has a more comprehensive vision and plan for Kiara Bay as a whole. Hence, MLSB had been given the rights to develop the Acquisition Land so that the development of the Project aligns with the larger context of Kiara Bay's master plan.

In consideration of the development rights being granted to MLSB by PKSB over the Acquisition Land, PKSB shall be entitled to receive the Development Rights Value, being:

- (a) the aggregate of the Purchase Consideration of RM85.00 million and 20% of the Project Profit; or
- (b) the Minimum Guaranteed Value of RM93.50 million,

whichever is higher. The Development Rights Value shall be paid by MLSB to PKSB in the following manner:

- (a) a sum equivalent to 10% of the Minimum Guaranteed Value of RM93.50 million shall be paid by MLSB to PKSB within fourteen (14) days from the official launch of the Project; and
- (b) the remaining balance, being the higher of:
 - (i) 90% of the Minimum Guaranteed Value of RM93.50 million; or
 - (ii) the aggregate of the Purchase Consideration and 20% of the Project Profit less 10% of the Minimum Guaranteed Value of RM93.50 million,

shall be paid by MLSB to PKSB within ninety (90) days from the date of the first written notice of delivery of vacant possession of the completed units in the Project by MLSB.

The salient terms of the DRA are set out in **Appendix II** of this Circular.

3.1 Details of the Project

Details of the Project are as follows:

Criteria	Details
Developer	: MLSB
Description	: Proposed development consisting of 3 blocks of 34 storey serviced apartments with 1,160 units
Gross floor area	: 140,760 square metres
Built-up area per unit	: 750 sq ft to 1,200 sq ft
Estimated GDV	: RM911.85 million
Estimated GDC	: RM547.62 million
Expected commencement date of construction	: Fourth quarter of 2025
Expected completion date	: Fourth quarter of 2029

Kiara Bay has been granted a development order by Dewan Bandaraya Kuala Lumpur on 8 January 2002, thereafter amended development orders dated 14 August 2017 and 12 February 2020 respectively. Subsequently, the latest amended development order dated 31 January 2022 was issued to MLSB. As at LPD, the building plan, advertising permit and developer's license and certificate of commencement of work for the Project have yet to be obtained from the relevant authorities.

The Project is located on the Acquisition Land, which is known as Plot 9 within Kiara Bay. Kiara Bay comprises fifteen (15) individual parcels of leasehold commercial land measuring a total of approximately 55.42 acres. The Project is within proximity of Residensi AVA, an 870 units service apartment within Kiara Bay, which is already sold out and is expected to complete construction in 2024.

Please refer to Section 2.1 of Part A of this Circular for further details of the Acquisition Land.

3.2 Basis for the Development Rights Value

The Development Rights Value was arrived at on mutual agreement between PKSB and MLSB after taking into consideration the following:

- (a) the market value of RM85.0 million as appraised by the Valuer based on the valuation report dated 24 August 2023. In arriving at the market value, the Valuer had adopted the income approach by way of "residual method" and comparison approach;
- (b) the role and risks undertaken by MLSB as the developer including but not limited to development risks, funding risks, take-up risks and cashflow risks, as well as the role of PKSB as the landowner of the Project; and
- (c) the development potential of the Acquisition Land as it is situated within Kiara Bay, which is a mixed development township currently being developed by MLSB.

The Minimum Guaranteed Value was determined after taking into account the market value of the Acquisition Land of RM85.00 million with a margin of 10% in consideration that the final payment to PKS B will only be made after delivery of vacant possession of the completed units of the Project by MLSB. The Project is expected to commence construction during the fourth quarter of 2025 and the actual launching date of the Project will depend on the prevailing market condition at the time. The Minimum Guaranteed Value is to provide PKS B a 10% compensation on the Purchase Consideration of the Acquisition Land for the waiting period while the land is yet to be developed. The 10% compensation was determined after taking into consideration, among others, the time value of money during the waiting period, the risk of delay on the Project as well as the opportunity cost incurred by PKS B on acquiring the Acquisition Land without immediate returns.

MEHB's entitlement to 20% of the Project Profit was determined after taking into consideration MEHB's contribution to the Project as the landowner as well as the risk taken by MEHB in relation to the Proposed Joint Development.

PKS B's entitlement from the Development Rights Value will be fully satisfied by MLSB in cash. If the Minimum Guaranteed Value is not paid to PKS B in accordance with the provisions of the DRA, it shall be considered as an event of default on the part of MLSB. This will entitle PKS B to terminate the DRA and the following shall ensue:

- (a) MLSB shall pay to PKS B the outstanding Development Rights Value; or
- (b) PKS B may take such action in law as may be necessary to compel MLSB by way of specific performance to complete the Project, provided always that if MLSB pays the outstanding Development Rights Value to PKS B, then specific performance shall not be available.

In the event the DRA is terminated prior to completion of the Project and determination of the Project Profits, the Development Rights Value shall be a sum equivalent to the Minimum Guaranteed Value.

3.3 Additional financial commitments and sources of funding

MEHB Group is not required to finance nor contribute to the GDC of the Project. MLSB shall be responsible to obtain the funding required to carry out and complete the Project.

3.4 Liabilities to be assumed

MEHB Group will not assume any other liabilities, including any contingent liability and guarantee arising from the Proposed Joint Development. All obligations pursuant to the Project shall be fully borne by MLSB.

4. RATIONALE FOR THE PROPOSALS

The Acquisition Land is located in an established area in Kepong, Kuala Lumpur. It is conveniently accessible via the Middle Ring Road 2 (MRR2) and is situated approximately 15 kilometres north west of Kuala Lumpur City Centre and 22 kilometres north east of Petaling Jaya new town respectively.

The Proposed Acquisition allows an opportunity for MEHB to expand the property development segment of the Group and participate in the development of the Project pursuant to the Proposed Joint Development, which is located in Kiara Bay. Kiara Bay comprise of residential units, retail mall, retail street, office space, hotel, healthcare centre and education hubs. The whole Kiara Bay township is targeted to be completed by 2040.

The Group is not required to provide additional contribution to the GDC of the Project other than the Acquisition Land. The Group will incur a land cost of RM85.00 million as the purchase consideration for the Proposed Acquisition. In return, the Group will be entitled to the Development Rights Value with the Minimum Guaranteed Value of RM93.50 million, which is a minimum profit of 10% of the Purchase Consideration equivalent to RM8.50 million from the Proposed Joint Development or a profit of up to 20% of the Project Profit (in addition to the reimbursement of the Purchase Consideration), whichever is higher, pursuant to the terms of the DRA.

Given the strategic location of the Acquisition Land and barring any unforeseen circumstances, the Board is confident that the Proposed Joint Development will contribute positively to the future earnings of MEHB Group. The additional revenue contribution from the Proposed Joint Development is expected to enhance the Company's profitability and returns on shareholders' funds.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

In Malaysia, the economy continued to expand amid these persistent challenges in the external environment. During the first half of 2023, GDP posted a growth of 4.2% supported by resilient domestic demand, in particular private expenditure. The construction sector continued to expand in tandem with the acceleration of infrastructure projects and realisation of investment in non-residential and residential developments. These developments helped to cushion the negative impact from the external sector following slow external demand, particularly from Malaysia's major trading partners.

The increased external uncertainties will pose risks to the economic growth. Notwithstanding these challenges, the economy continues reaping the benefit from policies and initiatives undertaken over the years to enhance resilience and competitiveness. Overall, the economy is projected to expand moderately in the second half of the year as external demand is expected to remain low and high base effect from the previous year. Nevertheless, domestic demand will continue to drive growth. Hence, the GDP is anticipated to register a growth of approximately 4% in 2023.

(Source: Economic Outlook 2024, Chapter 2, Ministry of Finance Malaysia)

Going forward, growth of the Malaysian economy will be driven largely by resilient domestic expenditure, with some support from E&E exports recovery. Household spending will be supported by steady growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, continued progress of multi-year infrastructure projects and implementation of catalytic initiatives will support investment activity. Budget 2024 measures will also provide additional impetus to economic activity. Meanwhile, domestic financial conditions remain conducive to sustain credit growth, as financial institutions continue to operate with strong capital and liquidity buffers.

The growth outlook is subject to downside risks from weaker-than expected external demand, and larger and protracted declines in commodity production. Nevertheless, stronger-than-expected tourism activity, a stronger recovery from the E&E downcycle, and faster implementation of projects provide upside to Malaysia's economic outlook.

(Source: Quarterly Bulletin Vol. 38 No. 3 for the Third Quarter of 2023, Bank Negara Malaysia)

5.2 Overview and outlook of the Malaysian property market

The real estate and business services subsector rebounded by 22.8% in 2022 attributed to the improvement in both segments. The real estate segment improved particularly in leasing and renting of properties as higher interest rate and material costs made property ownership more expensive, thus making the rental alternative a better option. In addition, the development of residential property remains active which boded well with the implementation of measures under the Budget 2022, including a total government guarantee of up to RM2 billion via Skim Jaminan Kredit Perumahan as well as housing projects for low-income group with an allocation of RM1.5 billion.

In 2023, the real estate segment is projected to grow, backed by stronger housing market demand and rental activities. The construction sector is anticipated to increase by 6.1% in 2023 with all subsectors recording a better performance. Activities in the residential buildings subsector are projected to grow steadily, supported by an increase in the supply of affordable houses in line with the 12MP strategy. In addition, continuous i-MILIKI incentive to encourage home ownership is expected to spur demand for residential buildings.

(Source: Economic Outlook 2023, Section 1, Ministry of Finance Malaysia)

5.3 Overview and outlook of the property market in Kuala Lumpur and Klang Valley

Since 2018, planned high-rise supply continues to moderate by 8.4% y-o-y to 170,000 units. New launches continue to focus on the city fringe such as The Serenade @ The Glades (122 units), Sunway Alishan in Cheras (255 units), and Lea by the Hills (344 units) in Melawati – driven by matured populations, good accessibility and amenities. These developments are nearby major roads and highways, while The Serenade is in proximity to LRT Subang Alam station.

As at 3Q 2022, cumulative supply in Klang Valley rose 3.8% year-on-year (y-o-y) to 2.05 million residential units. Meanwhile, incoming supply moderated for the first time since 2019, declining 7.3% y-o-y to 285,000 units – contributed by the slowdown of new high-rise developments during the review period (-9.1%).

For the luxury residential market, the existing supply increased to 68,200 units in 3Q 2022, whilst 25,000 units are in the pipeline for completion by 2027. 53% of the incoming supply will be in Central Kuala Lumpur. An uptick in occupancy rates has been seen due to the re-entry of international travellers into the country. The introduction of the Premium Visa Programme (PVIP) on 1 October 2022 will offer long-term residency for investors, entrepreneurs and foreign talents to live and work or study in Malaysia for up to 20 years. Though terms apply, this provides high-net-worth individuals with a chance to reside and work or study in Malaysia with the exemption of a minimum staying requirement.

(Source: Malaysia Real Estate Market Outlook 2023, CBRE | WTW Research)

5.4 Overview and outlook of the construction sector in Malaysia

The construction sector improved steadily by 6.8% in the first half of 2023 mainly driven by the civil engineering and special construction activities subsectors. The civil engineering subsector rebounded, supported by the acceleration of ongoing infrastructure and utilities projects, which include East Coast Rail Link (ECRL) and Large Scale Solar 4 projects. The non-residential buildings and residential buildings subsectors also registered positive growth in line with vibrant economic activities.

The construction sector is forecast to increase by 6.8% in 2024 following better performance in all subsectors. Civil engineering subsector continues to be bolstered by strategic infrastructure and utilities projects which include ongoing projects such as the Central Spine Road (CSR), the Pan Borneo Sabah Highway and acceleration of projects under the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan). Furthermore, a new solar power plant project under the Corporate Green Power Programme will support the subsector's growth. The implementation of NIMP 2030 is expected to further strengthen the performance of non-residential buildings subsector as the Plan will provide a platform to attract more investments into the country. In addition, the residential buildings subsector is projected to improve further in line with the Government's effort to increase more affordable houses as outlined under the Mid-Term Review of the Twelfth Plan and the MADANI Neighbourhood scheme, as well as new launching by the private sector.

(Source: Economic Outlook 2024, Chapter 2, Ministry of Finance Malaysia)

5.5 Prospects of MEHB

The Proposed Acquisition will enable the Group to increase 4.3% to the Group's existing land bank with good location for development to the Group. The Acquisition Land and the Project are located in an established area in Kepong, Kuala Lumpur and is conveniently accessible via highways to various parts of Kuala Lumpur and Petaling Jaya.

The Project is also strategically within the central portion of Kiara Bay. Given the strategic location of the Land, the Board is optimistic that the Acquisition Land has good development potential and there will be a strong demand for Project to be undertaken on the Acquisition Land. The Board believes that the Proposals will provide the Group with an opportunity to participate in the property development project within a prime location. Under the DRA, MEHB Group will be entitled to 20% of the Project Profit (in addition to the reimbursement of the Purchase Consideration) which will also contribute positively to the Group's future financial performance.

(Source: Management of MEHB)

6. RISK FACTORS

6.1 Delay or non-completion risk

The Proposed Acquisition is subject to the terms and conditions of the SPA and the Proposed Joint Development is subject to the completion of the Proposed Acquisition. In the event the conditions precedent stated in the SPA, which include, amongst others, the approval for the Proposed Acquisition from MEHB's shareholders, are not fulfilled, the SPA may be terminated.

There is no assurance that the Proposed Acquisition will not be exposed to risks such as inability by either party to fulfill the terms and conditions of the SPA. However, the Group will take all reasonable steps that are within its control and to closely monitor the progress of all other conditions precedent to be fulfilled by the Vendor to ensure that the conditions precedent are fulfilled by the stipulated date and in accordance with the provisions of the SPA.

As PKSB has given MLSB the sole and exclusive rights to develop the Acquisition Land, there is a risk of non-completion of the Proposed Joint Development in view that MEHB Group is reliant on MLSB to complete the Project. However, given that the Project forms part of the Kiara Bay township which is currently being developed by MLSB, the Group has confidence in the commitment of MLSB to complete the Project. The expected commencement of construction of the Project was determined after taking into consideration, among others, the overall development plan for Kiara Bay, the timing for the relevant approvals to be obtained prior to construction, market assessment on the Project to avoid direct competition with existing projects in Kiara Bay, as well as resource optimisation.

In the event there is a delay in the completion or non-completion of the Project by MLSB, PKSB may seek for termination of the DRA, in which MLSB shall pay to PKSB the outstanding Development Rights Value, or PKSB may take such action in law as may be necessary to compel MLSB by way of specific performance to complete the Project.

6.2 Project risk

The Proposals are expected to contribute positively to MEHB as PKSB will be entitled to 20% of the Project Profit on the Project to be undertaken on the Acquisition Land. However, there can be no assurance that the anticipated benefits arising from the Project will fully materialise in the future. The Proposed Joint Development is subject to certain risks inherent in the property development and construction industry. These include, but are not limited to, shortages of building materials, price fluctuation of building materials costs, increase in labour costs, shortages of labour including foreign workers, drop in demand for residential and commercial properties, changes in general economy and business conditions, renegotiation or nullification of existing contracts, changes in the legal and environment framework within which the industries operate, default by purchasers and availability to finance the purchase of property. Nevertheless, the Board shall endeavour to mitigate this risk and monitor the costs of the Project and adopt appropriate cost saving measures wherever necessary.

In the event that the Project is not profitable due to unforeseen circumstances, PKSB will still be entitled to the Minimum Guaranteed Value.

6.3 Risk of compulsory acquisition

During the development period of the Project, the government may impose a compulsory acquisition of the Acquisition Land and any ongoing development or construction works on the Acquisition Land will be halted. In the event of a compulsory acquisition, the DRA will be terminated. MEHB Group and MLSB will not be able to undertake the Project and this will lead to a loss of income source for the MEHB Group.

7. EFFECTS OF THE PROPOSALS

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company as the Purchase Consideration is to be satisfied wholly by cash and does not involve any issuance of securities.

7.2 NA and gearing

As set out in Section 2.3 of Part A of this Circular, the Proposed Acquisition will be funded through internally generated funds of the Group. The pro forma effects of the Proposals on the consolidated NA and gearing of the Group are as follows:

Based on the latest audited consolidated financial statements of MEHB as at 31 August 2022, on the assumption that the Proposals had been effected on 1 September 2022

	Audited as at 31 August 2022	After the Proposals
	RM'000	RM'000
Share capital	79,831	79,831
Treasury shares	(2,235)	(2,235)
Reserves	152,144	⁽¹⁾ 151,844
Shareholders' funds	229,740	229,440
Number of ordinary shares in issue ('000)	120,000	120,000
NA per ordinary share (RM)	1.91	1.91
Borrowings	80,852	80,852
Gearing (times) ⁽²⁾	0.35	0.35

Notes:

- (1) After deducting the estimated expenses of RM300,000 for the Proposals.
- (2) Gearing is derived from total debt over total equity.

Based on the latest unaudited consolidated financial statements of MEHB as at 31 August 2023, on the assumption that the Proposals had been effected on 1 September 2023

	Unaudited as at 31 August 2023	After the Proposals
	RM'000	RM'000
Share capital	79,831	79,831
Treasury shares	(2,407)	(2,407)
Reserves	167,793	⁽¹⁾ 167,493
Shareholders' funds	245,217	244,917
Number of ordinary shares in issue ('000)	120,000	120,000
NA per ordinary share (RM)	2.04	2.04
Borrowings	80,011	80,011
Gearing (times) ⁽²⁾	0.33	0.33

Notes:

- (1) After deducting the estimated expenses of RM300,000 for the Proposals.
- (2) Gearing is derived from total debt over total equity.

7.3 Earnings and EPS

The Proposals are not expected to have any material effect on the consolidated earnings of the MEHB Group. For illustrative purposes, the pro forma effects of the Proposals on the earnings and EPS of the Group are set out below:

Based on the latest audited consolidated financial statements of MEHB as at 31 August 2022, on the assumption that the Proposals had been effected on 1 September 2022

	Audited as at 31 August 2022	After the Proposals
	RM'000	RM'000
Profit for the financial year	19,038	19,038
Less:		
Estimated expenses for the Proposals	-	(300)
Pro forma profit for the financial year	19,038	18,738
Number of ordinary shares in issue ('000)	120,000	120,000
EPS (sen)	15.87	15.62

Based on the latest audited consolidated financial statements of MEHB as at 31 August 2022, on the assumption that the Proposals had been effected on 1 September 2023

	Unaudited as at 31 August 2023	After the Proposals
	RM'000	RM'000
Profit for the financial year	16,807	16,807
Less:		
Estimated expenses for the Proposals	-	(300)
Pro forma profit for the financial year	16,807	16,507
Number of ordinary shares in issue ('000)	120,000	120,000
EPS (sen)	14.01	13.76

The Proposed Joint Development is expected to be earnings accretive and will contribute positively to the future earnings and EPS of MEHB Group through 20% Project Profit entitlement of PKSB from the Development Rights Value. Although the impact of the Proposed Joint Development to the earnings cannot be determined at this juncture, the EPS is expected to increase as a result of the Proposed Joint Development.

7.4 Convertible securities

As at the date of this Circular, there are no outstanding convertible securities in MEHB.

8. APPROVALS REQUIRED

The Proposals are conditional upon approvals being obtained from the following:

- (a) shareholders of MEHB at the forthcoming EGM to be convened for the Proposals; and
- (b) any other relevant parties, if required.

9. INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are inter-conditional upon each other. The Proposals are not conditional upon any other corporate exercises undertaken by MEHB.

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements is 37.00% based on the Purchase Consideration and the latest audited consolidated NA of the Group as at 31 August 2022 of RM229.74 million.

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

Save as disclosed below, none of the Directors and/or major shareholders of the Company, if any, and persons connected with them have any interests, direct and/or indirect, in the Proposals:

- (a) Tan Sri Dato' Yap Suan Chee, the Executive Chairman and major shareholder of MEHB, is also the director of MLSB. He is the spouse of Puan Sri Datin Teng Siew Kean and father of Yap Wei Sam;
- (b) Yap Wei Sam, the Executive Director and major shareholder of MEHB, is also the director and shareholder of Mega Legacy Equity Sdn Bhd, which is a major shareholder and alternate director to Tan Sri Dato' Yap Suan Chee of MLSB. He is the son of Tan Sri Dato' Yap Suan Chee and Puan Sri Datin Teng Siew Kean; and
- (c) Puan Sri Datin Teng Siew Kean, the major shareholder of MEHB, is also the shareholder of Mega Legacy Equity Sdn Bhd, which is a major shareholder of MLSB. She is the spouse of Tan Sri Dato' Yap Suan Chee and mother of Yap Wei Sam.

The Proposals are related party transactions under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholders. Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of MEHB in relation to the Proposals.

The Interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in MEHB, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM of the Company to be convened. They will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in MEHB, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM of the Company to be convened.

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12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the salient terms of the SPA and DRA, rationale of the Proposals, basis and justifications of arriving at the Purchase Consideration and Development Rights Value, as well as the evaluation of the Independent Adviser, is of the opinion that the Proposals are fair, reasonable and on normal commercial terms, not detrimental to the interest of the non-interested shareholders and in the best interest of the Group.

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.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of MEHB, after having considered all aspects of the Proposals, including but not limited to the salient terms of the SPA and DRA, rationale of the Proposals, basis and justifications of arriving at the Purchase Consideration and Development Rights Value, as well as the evaluation of the Independent Adviser, is of the view that the Proposals are in the best interest of the Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the non-interested shareholders.

14. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS

Save for the Proposals and as disclosed below, there were no transactions entered into between MEHB Group and/or the Interested Directors and/or Interested Major Shareholders as well as persons connected to them for the preceding 12 months from the LPD:

<u>Details of transaction</u>	<u>Nature of relationship</u>	<u>RM'000</u>
Construction contracts with Sentul Murni Sdn Bhd	Puan Sri Datin Teng Siew Kean, an Interested Major Shareholder, is also a director of Sentul Murni Sdn Bhd and shareholder of Paramount Venue Sdn Bhd, the holding company of Sentul Murni Sdn Bhd. She is also the spouse of Tan Sri Dato' Yap Suan Chee, the Executive Chairman of MEHB and mother of Yap Wei Sam, Executive Director of MEHB.	4,611

15. ADVISER

M&A Securities has been appointed by MEHB as the Principal Adviser for the Proposals.

In view of the interests of the Interested Directors and Interested Major Shareholders as set out in Section 11 of Part A of this Circular and in compliance with Paragraph 10.08 of the Listing Requirements, Eco Asia has been appointed as the Independent Adviser to undertake the following in relation to the Proposals:

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

16. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed in first half of 2024.

The tentative timetable for the implementation of the Proposals are as follows:

Date	Events
28 December 2023	EGM for the Proposals
January 2024	SPA becomes unconditional
May 2024	Completion of SPA and Proposed Acquisition
Fourth quarter of 2025	Expected commencement of construction of the Project
Fourth quarter of 2029	Expected completion of construction of the Project

17. OUTSTANDING CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

As at LPD, save for the Proposals, there are no other corporate proposals that has been announced but yet to be completed.

18. EGM

The EGM, the notice of which is enclosed together with this Circular, will be held and conducted via an online portal from the broadcast venue at Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor on Thursday, 28 December 2023 at 10.00 a.m., or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions so as to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may complete and return the relevant Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Registered Office of the Company, not later than 24 hours before the date and time fixed for the EGM or any adjournment thereof. The lodging of the Proxy Form will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

19. FURTHER INFORMATION

Please refer to **Appendix IV** of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of,
MELATI EHSAN HOLDINGS BERHAD

HIDZIR BIN YAHYA
Independent Non-Executive Director

PART B

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

EXECUTIVE SUMMARY

All words and expression used in this executive summary shall have the same meanings as defined in the Part A of the Circular, except where the context requires otherwise or as otherwise defined in this IAL.

This executive summary, highlighting the salient information pertaining to the Proposals, is intended to be a brief summary of the IAL prepared by Eco Asia. Non-interested shareholders of MEHB are advised to read and understand this IAL carefully together with Part A of the Circular and the appendices, to consider carefully the recommendation contained herein before voting on the resolutions to give effect to the Proposals at the forthcoming EGM. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

1. INTRODUCTION

On 11 September 2023, M&A Securities had, on behalf of the Board, announced that MESB proposed to undertake the Proposed Acquisition and Proposed Joint Development. The Proposals are deemed related party transactions pursuant to the provisions of Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholders as set out in Section 11 Part A of the Circular.

Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, the Board had on 24 August 2023 appointed Eco Asia as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company in relation to the Proposals.

The purpose of this IAL is to provide the non-interested shareholders of MEHB with an independent evaluation on the fairness and reasonableness of the Proposals and whether it is detrimental to the non-interested shareholders of MEHB as well as to provide a recommendation thereon on the voting of the relevant resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

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

2. EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have taken into consideration the following:

Section in the IAL	Factors Evaluated	Comments
Section 7.1	Rationale for the Proposals	<p>The Proposals will allow the Group to expand its property development portfolio and continue building its track record in the property development business.</p> <p>Pursuant to the Proposed Joint Development, the Group will be entitled to the aggregate of the Purchase Consideration and 20% of the Project Profit or the Minimum Guaranteed Value, whichever is higher.</p> <p>Given the strategic location and the development potential of the Acquisition Land, the Proposals are expected to be earnings accretive and will generate future profits to the Group, which will then strengthen the financial position of the Group.</p> <p>Premised on the above, we are of the view that the rationale for the Proposals are REASONABLE and are NOT DETRIMENTAL to the non-interested shareholders of MEHB.</p>
Section 7.2	Basis and justification for the Purchase Consideration	<p>In arriving at the valuation of the Acquisition Land of RM85.00 million, the Valuer had adopted the income approach (residual method) and comparison approach of valuation.</p> <p>We are of the view that the income approach (residual method) of valuation is reasonable given the Acquisition Land is a vacant land with planning approval granted. Furthermore, the SPA is conditional upon the execution of the DRA and certain of the development parameters are included in the SPA, which gives certainties to the development contents. The comparison approach as a counter-check method is reasonable as it compares the Acquisition Land with similar property within the vicinity which were transacted recently to cross check the market value derived from the income approach (residual method).</p> <p>The methodologies applied by the Valuer are reasonable and consistent with generally applied valuation methodologies. We have reviewed and are satisfied with the bases and assumptions used by the Valuer in deriving the valuation for the Acquisition Land.</p> <p>As such, we are of the view that the Purchase Consideration for the Acquisition Land based on the Valuer's appraisal of RM85.00 million is FAIR and REASONABLE and NOT DETRIMENTAL to the non-interested shareholders of MEHB.</p>

Section in the IAL	Factors Evaluated	Comments
Section 7.3	Basis and justification for the Development Rights Value	<p>In evaluating the Development Rights Value, we have considered the following:</p> <ul style="list-style-type: none"> (i) the market value of the Acquisition Land as appraised by the Valuer; (ii) the Feasibility Study in relation to the Project provided by the management of MEHB; and (iii) precedent joint venture transactions. <p>Based on our evaluation on the above, we note that:</p> <ul style="list-style-type: none"> (i) the Development Rights Value and Minimum Guaranteed Value as a percentage to GDV is 17.3% and 10.3% respectively, and it falls within the range of landowners' entitlement in precedent joint venture transactions announced on Bursa Securities for the past three years; and (ii) the estimated range of pre-tax internal rate of return ("IRR") for the Proposals of 11.4% (low case) to 13.6% (high case), is higher than the cost of equity of the Company. <p>However, based on the cash flow projections for the Minimum Guaranteed Value, the IRR for the Proposals is lower than the cost of equity of the Company, which indicates that the Proposals may not be feasible based on the Minimum Guaranteed Value. But, we take cognisance that:</p> <ul style="list-style-type: none"> (i) the Development Rights Value is the higher of either (i) the aggregate of the Purchase Consideration and 20% of the Project Profit; or (ii) the Minimum Guaranteed Value. <p>In view that the Project is located within Kiara Bay, an integrated mixed development which is currently being developed by MLSB, a subsidiary of UEM Sunrise Berhad ("UEMS"), and 2 residential projects had already been launched within that vicinity as at LPD, the Group is confident on the development potential of the Acquisition Land and believes that the Project will yield positive profit as estimated in the Feasibility Study. Furthermore, the Project will be developed by a subsidiary of UEMS, which is an established property developer with track record that has successfully created and developed the Mont Kiara township;</p> <ul style="list-style-type: none"> (ii) the Minimum Guaranteed Value is higher than the market value of the Acquisition Land of RM85.00 million as ascribed by the Valuer; and

Section in the IAL	Factors Evaluated	Comments
		<p>(iii) Assuming that MEHB Group were to undertake the development of the Acquisition Land on its own, the Group will have to finance the development and bear the development risks, funding risks, take-up risks and cashflow risks for the development, as opposed to the terms of the Proposed Joint Development where MEHB Group is able to participate in the Project by contributing the Acquisition Land without additional funding or commitment to the development.</p> <p>Premised on the above, we are of the of the view that the Development Rights Value (including the Minimum Guaranteed Value) is FAIR and REASONABLE and NOT DETRIMENTAL to the non-interested shareholders of MEHB.</p>
Sections 7.4 and 7.5	Salient Terms of the SPA and DRA	We have evaluated the salient terms of the SPA and DRA and are of the view that the salient terms are REASONABLE and are NOT DETRIMENTAL to the non-interested shareholders of MEHB.
Section 7.6	Effects of the Proposals	<p>The effects of the Proposals are as follows:</p> <p>(i) <u>Issued share capital and substantial shareholders' shareholdings</u></p> <p>The Proposals will not have any effect on the issued share capital and substantial shareholders' shareholdings of MEHB as it do not involve issuance of shares in MEHB.</p> <p>(ii) <u>NA and gearing</u></p> <p>We noted there is no immediate significant impact to the NA of MEHB Group. Based on the latest unaudited consolidated financial statements of MEHB as at 31 August 2023, the NA attributable to the owners of the Company will decrease from RM245.22 million to RM244.92 million as a result of the estimated expenses for the Proposals. The gearing of the Company remains at 0.33 times.</p> <p>(iii) <u>Earnings and EPS</u></p> <p>We noted that there is no immediate significant impact to the earnings and EPS of MEHB Group. However, the Proposed Joint Development is expected to be earnings accretive and will contribute positively to the future earnings and EPS of MEHB Group as the Group is entitled to the higher of the Minimum Guaranteed Value or the aggregate of the Purchase Consideration and 20% of the Project Profit.</p>

Section in the IAL	Factors Evaluated	Comments
		<p>(iv) <u>Convertible securities</u></p> <p>MEHB Group do not have any outstanding convertible securities.</p> <p>Based on the above, we are of the view that the financial effects of the Proposals are NOT DETRIMENTAL to the non-interested shareholders of MEHB.</p>
Section 7.7	Risk Factors	<p>The Proposals are conditional upon fulfilment of conditions precedents in the SPA and DRA respectively.</p> <p>The Proposed Joint Development is subject to the inherent risks in the property development and construction industry. As both MLSB and the Group are already involved in the property development business, the Group is not expected to be exposed to new business risks as a result of the Proposed Joint Development.</p>
Section 7.8	Industry Overview and Prospects	<p>The Malaysian economy continued its positive growth trend, albeit at a more subdued pace of 2.9% in the second quarter of 2023.</p> <p>Despite the challenging global financial and economic environment, the property market managed to stay poised and posted a marginal softening in market activity in the first half of 2023 (H1 2023) compared to the same period last year (H1 2022).</p> <p>We are of the view that the prospects of the Acquisition Land and the Proposals are not detrimental to the Group as the Proposals allow the Group to expand its landbank in a strategic location in the heart of Kepong, which is an established suburb in Kuala Lumpur.</p> <p>We also note that the joint development partner of MEHB is MLSB, a subsidiary of UEMS. UEMS is one of the top property developers in Malaysia, which has successfully created and developed the Mont Kiara township. The Acquisition Land is part of MLSB's master concept for the Kiara Bay development. As such the Group is confident on the development prospects for the Proposed Joint Development.</p>
Section 7.9	Liabilities to be assumed	<p>MEHB Group will not assume any other liabilities, including contingent liabilities and guarantee arising from the Proposals.</p>

3. CONCLUSION AND RECOMMENDATION

After taking into consideration our overall assessment and evaluation of the Proposals, based on the information available to us up to the LPD, we are of the view that the Proposals are **FAIR AND REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

Accordingly, we recommend that the non-interested shareholders of MEHB to **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

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Eco Asia Capital Advisory Sdn Bhd

[Registration No. 201801022562

(1284581-H)]

Lot 1904, 19th Floor

Tower 1, Faber Towers

Jalan Desa Bahagia, Taman Desa

58100 Kuala Lumpur

Date: 8 December 2023

Melati Ehsan Holdings Berhad

No 5, Jalan Titiwangsa

53200 Kuala Lumpur

Phone: 03-7971 1822

Fax : 03-7972 1821

To: The Non-Interested Shareholders of Melati Ehsan Holdings Berhad

Dear Sir/Madam,

MELATI EHSAN HOLDINGS BERHAD ("MEHB" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS

This IAL is prepared for inclusion in the Circular to shareholders of MEHB and should be read in conjunction with the same. 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 herein in this IAL.

1. INTRODUCTION

On 11 September 2023, M&A Securities had, on behalf of the Board, announced the Proposed Acquisition and Proposed Joint Development. The Proposals are deemed as related party transactions pursuant to the provisions of Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholders as set out in Section 11 Part A of the Circular.

Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, the Board had on 24 August 2023 appointed Eco Asia as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company in relation to the Proposals.

The purpose of this IAL is to provide the non-interested shareholders of MEHB with an independent evaluation on the fairness and reasonableness of the Proposals and whether it is detrimental to the non-interested shareholders of MEHB as well as to provide a recommendation thereon on the voting of the relevant resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

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

YOU ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION AS CONTAINED IN THIS IAL BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

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

2. DETAILS OF THE PROPOSALS

Please refer to Sections 2 and 3 Part A of the Circular for details of the Proposals.

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

The details of the Interested Directors and Interested Major Shareholders are set out in Section 11 Part A of the Circular.

Accordingly, the Interested Directors and Interested Major Shareholders have abstained and will continue to abstain from all deliberations and voting on the resolutions in respect to the Proposals.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSALS

Eco Asia was not involved in the formulation or any deliberation and negotiation of the terms and conditions of the Proposals, nor have we participated in the Board's deliberation of the Proposals. The terms of reference of our appointment as the Independent Adviser to the non-interested directors and non-interested shareholders of MEHB in relation to the Proposals are in accordance with the requirements set out in Paragraph 10.08(2) and (3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our role as an Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposals as far as the non-interested directors and non-interested shareholders of MEHB is concerned. The terms and conditions of the Proposals are solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposals.

The directors and management of MEHB are responsible to make available to us all relevant information pertaining to our evaluation, including informing us of any material changes in the subject matters which may have an impact on our opinion. Our work includes holding discussions and making enquiries with the directors and management of MEHB regarding representations made by MEHB. We have relied on the Board of MEHB and management's oral and written representations.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSALS (CONT'D)

In carrying out our evaluation, we have taken into consideration various pertinent factors, which we believe are of general importance to our assessment of the Proposals and therefore would be of general concern to you.

Our scope of work as the Independent Adviser is limited to providing our comments, opinion, information and recommendation on the Proposals based on the information, data and documents furnished to us or which are available to us and making reasonable enquiries in the circumstances.

In performing our evaluation, we have relied on and/or taken into consideration the following sources of information:

- (i) information contained in Part A of the Circular and the appendices attached thereto;
- (ii) valuation report and valuation certificate dated 24 August 2023 for the Acquisition Land prepared by Laurelcap Sdn Bhd;
- (iii) the Feasibility Study, together with the relevant basis and assumptions as provided by the management of MEHB ("**Feasibility Study**");
- (iv) independent quantity surveyor evaluation report dated 5 September 2023 as prepared by LCG QS Consult for the purpose of estimating the gross development costs for the Project ("**Independent QS Report**");
- (v) the SPA and DRA;
- (vi) annual reports of MEHB for FYE 31 August 2021 and FYE 31 August 2022 and unaudited financial statements for FYE 31 August 2023;
- (vii) information, documents, confirmations and/or representations provided by the directors and management of the Company ("**Management**"), or obtained in or derived from discussions with the Management on 23 August 2023; and
- (viii) other publicly available information which we deemed relevant to our evaluation.

In assuming the aforesaid role and in line with the terms of our appointment, we have requested for the relevant verifications and made the necessary due enquiries on MEHB, its directors and Management. We have relied upon the information and/or documents as described above, and all relevant facts and information necessary for our evaluation of the Proposals and that such information is reasonable, reliable and accurate and there are no omissions of any material facts which would make any information incomplete, misleading or inaccurate.

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

Our views and advice as contained in this IAL only caters to the non-interested shareholders of MEHB at large and not to any non-interested shareholders individually. Hence, in carrying out our evaluation, we have not given consideration the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSALS (CONT'D)

We recommend that any individual non-interested shareholder or group of non-interested shareholders of MEHB who is in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, to consult their respective stockbroker, banker, solicitor, accountant or other professional adviser immediately. We shall not be liable for any damage or loss sustained or suffered by any individual shareholder or any group of shareholders in reliance on the opinion stated herein for any purpose whatsoever which is particular to such individual shareholder or group of shareholders.

The preparation of this IAL is based upon market, economic, industry and other conditions prevailing as at LPD, as well as publicly available information and information provided to us by the directors and Management of MEHB. Such conditions may change significantly over a relatively short period of time.

We will immediately notify the non-interested shareholders of MEHB should Eco Asia become aware of any significant change affecting the information contained in this IAL which may have an impact on our opinion or have reasonable grounds to believe that any statement in this IAL is misleading, deceptive or that there is material omission in this IAL. If circumstances require, a supplementary IAL will be despatched accordingly to the shareholders of MEHB.

We have obtained responsibility statements from the Board and Management of MEHB that all material facts, financial and other information essential to our evaluation have been disclosed to us and that they have seen this IAL and they, individually and collectively, accept full responsibility for the accuracy of such information contained in this IAL and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein false or misleading.

5. DECLARATION OF CONFLICT OF INTEREST

Eco Asia does not have any other business relationship with MEHB Group at the present time or at any time during the past 2 years, prior to the date of the SPA and DRA.

Eco Asia is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of our appointment as the Independent Adviser in respect of the Proposals.

Save for the professional fees earned for acting as the Independent Adviser for the Proposals, Eco Asia does not receive or derive any financial interest or benefit from the outcome of the Proposals. Accordingly, we have given our confirmation to the Company that we are not aware of any conflict of interest which exist or is likely to exist in our capacity as the Independent Adviser in respect of the Proposals.

6. CREDENTIALS AND EXPERIENCE OF ECO ASIA

Eco Asia is licensed under the Capital Markets and Services Act 2007 to carry out the regulated activity of advising on corporate finance. Our team provides a full range of corporate finance advisory services including but not limited to initial public offerings advisory, financial due diligence, valuation, mergers and acquisitions, reverse takeover, fund raising, corporate & debt restructuring and independent advisory opinion.

Our past experiences as an Independent Adviser are as follows:

- (i) Proposed disposal by Complete Logistic Services Berhad (now known as Hextar Technologies Solutions Berhad) of 36,000,000 ordinary shares and 18,000,000 warrants in Classis Scenic Berhad for a total cash consideration of RM32,040,000 to Dato' Ong Choo Meng. The relevant independent advice letter was issued on 15 June 2022;
- (ii) Proposed disposal by Chin Hin Group Berhad of 129,100,000 ordinary shares in Solarvest Holdings Berhad to Divine Inventions Sdn Bhd for cash consideration of RM103,280,000. The relevant independent advice letter was issued on 14 July 2022;
- (iii) Proposed acquisition by Signature International Berhad of 120,000,000 ordinary shares in Fiamma Holdings Berhad for a total purchase consideration of RM180,000,000. The relevant independent advice letter was issued on 7 September 2022;
- (iv) Proposed disposal and leaseback of a property by Hextar Chemicals Sdn Bhd, a wholly-owned subsidiary of Hextar Global Berhad, to Pacific Trustees Berhad, being the trustee of KIP Real Estate Investment Trust. The relevant independent advice letter was issued on 23 September 2022; and
- (v) Proposed scheme of arrangement of Khee San Berhad. The relevant independent advice letter was submitted to Bursa Securities on 18 July 2023.

Premised on the above, Eco Asia's assigned personnel's professional qualification, experiences, expertise and past credentials, we are capable and competent in carrying out our role and responsibilities as Independent Adviser to advise the non-interested directors and non-interested shareholders of MEHB in respect of the Proposals.

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7. EVALUATION OF THE PROPOSALS

In arriving at our conclusion and recommendation in respect of the Proposals, we have assessed and evaluated the following pertinent factors:

Analysis	Section in the IAL
(i) Rationale of the Proposals	Section 7.1
(ii) Basis and Justification for the Purchase Consideration	Section 7.2
(iii) Basis and Justification for the Development Rights Value	Section 7.3
(iv) Salient Terms of the SPA	Section 7.4
(v) Salient Terms of the DRA	Section 7.5
(vi) Effects of the Proposals	Section 7.6
(vii) Risk Factors	Section 7.7
(viii) Industry outlook and prospects	Section 7.8
(ix) Liabilities to be assumed	Section 7.9

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7.1 Rationale for the Proposals

We have considered the rationale for the Proposals as set out in Section 4 Part A of the Circular and our commentaries are as follow:

Eco Asia's Comments

(i) Expand the property development segment of the Group

MEHB is principally an investment holding company. The main business segment of the Group comprise the following:

- (a) Construction – turnkey construction;
- (b) Property development – development of residential and commercial properties; and
- (c) Trading and others – trading of construction materials and rental of machineries, investment holding and money lending business.

The revenue and PBT of the business segments of MEHB Group for the past 4 FYE are as follows:

	Audited						Unaudited	
	FYE 31 August							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue								
Construction	245,668	96.7	92,747	83.2	25,996	25.6	59,683	160.9
Property development	-	-	18,630	16.7	75,390	74.4	37,306	38.0
Trading and others	8,334	3.3	48	0.1	1	< 0.1	1,043	1.1
Total	254,002	100.0	111,425	100.0	101,387	100.0	98,032	100.0
PBT								
Construction	8,494	182.4	1,276	27.9	9,729	37.2	2,796	14.8
Property development	(802)	(17.2)	586	12.8	16,724	64.0	6,988	36.9
Trading and others	(3,035)	(65.2)	2,707	59.3	(315)	(1.2)	9,143	48.3
Total	4,657	100.0	4,569	100.0	26,138	100.0	18,927	100.0

(Source: MEHB's annual reports and unaudited financial results for FYE 2023)

As illustrated above, the property development segment is one of the main contributors to the Group's revenue in the past 2 years. As at LPD, the Group is involved in 5 property development projects, located in Klang Valley and Johor.

The Proposals will allow the Group to partly participate in the development of Kiara Bay. Kiara Bay is an integrated mixed development which is currently being developed by MLSB, a subsidiary of UEM Sunrise Berhad ("UEMS"). As at LPD, 2 residential projects had been launched in Kiara Bay, ie Residensi AVA and Residensi Zig. The Group will be able to leverage on the expertise, technical know-how, financial strength, sales and marketing capabilities of UEMS, one of Malaysia's top property developers, for the Proposed Joint Development.

We also noted that PKSB's contribution of the Acquisition Land for the Proposed Joint Development enables the Group to participate in the Proposed Joint Development without additional funding or commitment to the GDC of the Project. The Proposed Joint Development will enable the Group to expand its property development portfolio and continue building its track record in the property development business.

(ii) Strengthen the financial position of the Group

Pursuant to the Proposed Joint Development, the Group will be entitled to the aggregate of the Purchase Consideration and 20% of the Project Profit or the Minimum Guaranteed Value, whichever is higher. The Minimum Guaranteed Value minimised the investment risk associated with the purchase of the Acquisition Land as the Group is guaranteed to receive a minimum return on investment of 10%.

Given the strategic location and the development potential of the Acquisition Land, the Proposals are expected to be earnings accretive and will generate future profits to the Group, which will then strengthen the financial position of the Group.

Premised on the above, we are of the view that the rationale for the Proposals are **REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

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7.2 Basis and Justification for the Purchase Consideration

The basis and justification of the Purchase Consideration is set out in Section 2.2 Part A of the Circular.

Eco Asia's Comments

We noted that the Purchase Consideration was arrived at based on the market value of the Acquisition Land as appraised by the Valuer, based on its valuation report dated 24 August 2023.

We have reviewed the valuation report and valuation certificate prepared by the Valuer and noted that the valuation was prepared in accordance with the Asset Valuation Guidelines issued by the SC and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia, with the necessary professional responsibility and due diligence.

The methodologies applied by the Valuer are reasonable and consistent with generally applied valuation methodologies. We have reviewed and are satisfied with the bases and assumptions used by the Valuer in deriving the valuation for the Acquisition Land. As such we are satisfied with and have relied on the valuation for the purposes of evaluating the Purchase Consideration.

In arriving at the valuation of the Acquisition Land of RM85.00 million, the Valuer had adopted the following methods:

Income approach – Residual method (Primary method)	Under the residual method, consideration is given to the GDV of the project and deducting therefrom the estimated development costs such as costs of construction and site works, professional fees, financing costs, sales and marketing fees, administration and legal fees, contingencies and developer's risk and profit. The resultant answer is the value of the subject property and is deferred over the period of time required for the development to arrive at the current market value of the subject property.
Comparison approach (Cross check method)	This method compares the subject property to recent transactions and asking prices of similar property in and around the vicinity of the subject property. Adjustments are made for differences in size, location, accessibility / visibility, tenure, title restrictions, shape and other characteristics to arrive at the market value.

The income approach (residual method) was the primary method of valuation adopted by the Valuer whilst the comparison approach was a counter-check method.

We are of the view that the income approach (residual method) of valuation is reasonable given the Acquisition Land is a vacant land with planning approval granted. Furthermore, the SPA is conditional upon the execution of the DRA and certain of the development parameters are included in the SPA, which gives certainties to the development contents. The comparison approach as a counter-check method is reasonable as it compares the Acquisition Land with similar property within the vicinity which were transacted recently to cross check the market value derived from the income approach (residual method).

(i) Parameters for the Income Approach - Residual Method

The assumptions used by the Valuer in the residual method to derive the market value of the Acquisition Land are as follows:

Parameters	Assumptions	Our comments																																
GDV	<p>The GDV was arrived at based on the number of units and the proposed selling price per unit.</p> <p>In estimating the proposed selling price per unit, similar serviced apartments transacted in the market within the surrounding area was used as comparables.</p> <p>Appropriate adjustments were then made for differences in, time, location, size, tenure and market conditions to arrive at the proposed selling price of the serviced apartments.</p> <p>Bumiputera quota of 30% with a discount of 7% was adopted.</p>	<p>Fair and reasonable.</p> <p>In arriving at the GDV, the Valuer estimated the proposed selling price per unit with reference to the comparables of similar serviced apartments transacted in the market within the surrounding area of the Acquisition Land. The Bumiputera discount and quota was applied in accordance with the requirements set by the relevant authorities.</p> <p>The comparable transactions analysed by the Valuer are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Comparable 1</th> <th>Comparable 2</th> <th>Comparable 3</th> </tr> </thead> <tbody> <tr> <td>Address</td> <td>No C-11-07, Fortune Centra, Jalan Metro Perdana Timur 6, Taman Usahawan, Kuala Lumpur</td> <td>No D-15-08, Lake Ville Residence, Jalan Sibu, Kuala Lumpur</td> <td>No 36-09, No 20, Jalan 7A/62A, East Parc @ Menjalara, Kuala Lumpur</td> </tr> <tr> <td>Type</td> <td>Serviced apartment</td> <td>Serviced apartment</td> <td>Serviced apartment</td> </tr> <tr> <td>Tenure</td> <td>Leasehold 99 years expiring on 10 January 2112</td> <td>Leasehold 99 years expiring on 25 November 2113</td> <td>Leasehold 99 years expiring on 18 June 2118</td> </tr> <tr> <td>Built-up area</td> <td>828.82 sq ft</td> <td>1,302.43 sq ft</td> <td>1,506.95 sq ft</td> </tr> <tr> <td>Transaction date</td> <td>17 May 2021</td> <td>3 January 2022</td> <td>16 January 2023</td> </tr> <tr> <td>Consideration</td> <td>RM670,000</td> <td>RM1,078,550</td> <td>RM1,183,900</td> </tr> <tr> <td>Price per sq ft</td> <td>RM808.38 per sq ft</td> <td>RM828.11 per sq ft</td> <td>RM785.63 per sq ft</td> </tr> </tbody> </table>		Comparable 1	Comparable 2	Comparable 3	Address	No C-11-07, Fortune Centra, Jalan Metro Perdana Timur 6, Taman Usahawan, Kuala Lumpur	No D-15-08, Lake Ville Residence, Jalan Sibu, Kuala Lumpur	No 36-09, No 20, Jalan 7A/62A, East Parc @ Menjalara, Kuala Lumpur	Type	Serviced apartment	Serviced apartment	Serviced apartment	Tenure	Leasehold 99 years expiring on 10 January 2112	Leasehold 99 years expiring on 25 November 2113	Leasehold 99 years expiring on 18 June 2118	Built-up area	828.82 sq ft	1,302.43 sq ft	1,506.95 sq ft	Transaction date	17 May 2021	3 January 2022	16 January 2023	Consideration	RM670,000	RM1,078,550	RM1,183,900	Price per sq ft	RM808.38 per sq ft	RM828.11 per sq ft	RM785.63 per sq ft
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Parameters	Assumptions	Our comments	
	<p>range of construction costs involved for development of serviced apartments.</p> <p>Developers' profit was estimated at 30% of GDV based on analysis conducted where gross profits taken up by other developers for high rise buildings of between 20.00% to 43.28%.</p>	<p>Items</p> <p>External and common infrastructure works</p>	<p>Comments</p> <p>This includes site clearing and earthworks, common infrastructure works, TNB substation, landscape works, guardhouse and entrance, which is estimated to be about 2.65% of the total construction costs, which is in line with the industry standards quoted by the independent quantity surveying firm.</p> <p>The breakdown of construction costs for the external and common infrastructure works are as follows:</p> <p>(a) Site clearing & earthwork adopted at RM300,000 per acre which is within the industry range of between RM249,000 per acre to RM331,000 per acre quoted by the independent quantity surveying firm;</p> <p>(b) The costs of the common infrastructure work adopted at RM1,000,000 per acre which is in line with the industry range of between RM800,000 per acre to RM1,000,000 per acre quoted by the independent quantity surveying firm;</p> <p>(c) The costs of building TNB substation adopted at RM200,000 per unit which is in line with the industry range of between at RM150,000 per unit to RM250,000 per unit quoted by the independent quantity surveying firm;</p> <p>(d) Provision for landscaping adopted at RM800,000 per acre which is in line with the industry range of between RM616,000 per acre to RM822,000 per acre quoted by the independent quantity surveying firm; and</p> <p>(e) Provision of RM600,000 for guardhouse and entrance which is in line with the industry range of between RM400,000 to RM600,000 quoted by the independent quantity surveying firm.</p>

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Parameters	Assumptions	Our comments
<p>Items</p> <p>Building construction cost</p>	<p>Comments</p> <p>(d) The piling works is cost at RM 7.00 per sq ft which is in line with the industry range of between RM5.00 per sq ft to RM7.00 per sq ft quoted by the independent quantity surveying firm.</p>	
<p>Professional fees and insurance</p>	<p>This includes the architectural fees, engineers' fees, project management fees and town planner fee. The insurance relates to the public indemnity insurance to be taken up during the construction period. Both professional fees and insurance are estimated to be about 6.26% of the total construction cost, which is within the industry standard range of between 5.00% to 8.00% of construction costs quoted by the independent quantity surveying firm.</p>	
<p>Sales marketing and administration</p>	<p>This includes sales and marketing expenses, and administrative expenses including payroll, rents and legal fees, which is estimated at 4.16% of GDV based on industry practice as observed by the Valuer.</p>	
<p>Contribution to authorities</p>	<p>This includes contribution to local city council and utilities providers such as Tenaga Nasional Berhad, Jabatan Bekalan Air and Indah Water Konsortium Sdn Bhd, which is analysed at 4.53% of the total construction cost based on industry standards as observed by the Valuer.</p>	
<p>Land expenses</p>	<p>This includes sub-division of titles, quit rent and assessment, which is analysed at 0.85% of the total construction cost, which is within the industry standards as observed by the Valuer.</p>	
<p>Finance costs</p>	<p>The interest rate of 8.00% per annum was adopted, for financing margin of 33.00% of total construction costs (excluding contingencies) for half of the development period, after taking into consideration the development progress and development phasing.</p>	

Parameters	Assumptions	Our comments						
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Developers' profit	Developers' profit adopted was 30.00% taking into consideration the high plot ratio of 8.68 for the Project, and the gross profits taken up by other developers for high rise buildings of between 20.00% to 43.28%.							
Development period and discount rate	Development period of 4.25 years and discount rate of 10.00%	<p>Development period of 4.25 years was adopted based on: (1) 3.00 years for the construction to complete; (2) additional 1.00 year for the launch and for the Project to be sold out; and (3) 0.25 years for the removal and relocation of the Tenant on the Acquisition Land.</p> <p>Discount rate of 10.00% was based on the current range of financing costs of about 8.00% per annum, adjusted upwards to reflect the longer development period (4.25 years) to cater for the Project risks.</p>						

Based on the income approach – residual method, the Valuer had arrived at RM85.00 million in their valuation as a fair representation of the Acquisition Land.

(ii) Parameters for the Comparison Approach

The details of the comparables for the Acquisition Land are as follow:

	Acquisition Land	Comparable 1	Comparable 2	Comparable 3
Location	Lot No. PT 26689, along Jalan Benteng Utara off the west bound Middle Ring Road 2 (MRR2), within Kiara Bay, Kepong, Kuala Lumpur	Lot PT 26888, Along Middle Ring Road 2, Taman Metropolitan, Kepong, Kuala Lumpur	Lot Nos. 70296 to 70302, Jalan PJU 10/1A, Damansara Damai, Petaling Jaya, Selangor	Lot 27, Jalan Usahawan 5, Kawasan Perindustrian Ringan, Setapak, Kuala Lumpur
Type	An unsubdivided parcel of vacant commercial land identified as Plot 9 which forms part of a mixed commercial development known as Kiara Bay	A parcel of commercial development land, presently being developed as a high rise development	7 contiguous plots of vacant commercial development land	Industrial land with commercial development potential. The transacted price was based on potential for mixed use redevelopment basis excluding the values attributed to the buildings erected thereon
Land area	174,570.55 sq ft	238,100.86 sq ft	181,093.54 sq ft	217,788.01 sq ft
Tenure	Leasehold 99 years expiring on 29 December 2112	Leasehold 99 years expiring on 4 April 2115	Leasehold 99 years expiring on 5 March 2103	Leasehold 99 years expiring on 26 August 2097
Date of transaction	-	23 July 2019	18 January 2021	4 May 2021
Consideration	-	RM94,764,144	RM70,000,000	RM89,000,000
Price per sq ft	-	RM398 per sq ft	RM386.54 per sq ft	RM408.65 per sq ft
Adjustments	-	Adjustments made for time, location, size, tenure, density, title use, availability of development order, the Minimum Guaranteed Value under the DRA and negative factor as there is an electrical pylon adjacent to the Acquisition Land		

Adjusted price per sq ft	Acquisition Land	Comparable 1	Comparable 2	Comparable 3
	-	RM563.01 per sq ft, adjusted upwards by 41.46%	RM696.06 per sq ft, adjusted upwards by 80.07%	RM653.50 per sq ft, adjusted upwards by 59.92%

We are of the view that the comparables selected are reasonable given the availability of data on recent transactions within the vicinity of the Acquisition Land. Based on the analysis above, we noted that the Valuer had adopted Comparable 1 as the best comparable to be used as the base value, due to:

- (a) Comparable 1 located nearest to the Acquisition Land;
- (b) The tenure and plot ratio for Comparable 1 is most similar to the Acquisition Land. The tenure for Comparable 1 is leasehold expiring on 4 April 2115 with plot ratio of 7.67 vis-à-vis the tenure for Acquisition Land is leasehold expiring on 29 December 2112 with plot ratio of 8.68; and
- (c) Comparable 1 has the least adjustments made.

Accordingly, the Valuer had adopted a base valuation of RM560.00 per sq ft for the Acquisition Land, which amounts to RM97.76 million for the Acquisition Land. DBKL approved development on 10 plots of land from Lot PT 26684 to Lot PT 26693 including the Acquisition Land which is located at Lot PT 26689, for total development charge to be paid at RM198.01 million for total area measuring 3.17 million sq ft. To date, a total of RM2.00 million was paid and the balance development charge of RM196.01 million is still outstanding. As such, based on proportion of the land area, the balance development charge to be paid on the Acquisition Land will amount to RM10.80 million. After deduction of remaining development charges of RM10.80 million from the value of the Acquisition Land of RM97.76 million and discounting the time required (3 months) at the discount rate of 10% to remove the workers quarters, the Valuer had arrived at RM85.00 million in their valuation as a fair representation using the comparison approach.

As such, we are of the view that the Purchase Consideration for the Acquisition Land based on the Valuer's appraisal of RM85.00 million is **FAIR** and **REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

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7.3 Basis and Justification for the Development Rights Value

The basis and justification of the Development Rights Value is set out in Section 3.2 Part A of the Circular.

Eco Asia's Comments

We noted that the Development Rights Value was arrived at after taking into consideration the market value of the Acquisition Land, the role and risks undertaken by MLSB as the developer and the development potential of the Acquisition Land.

The Development Rights Value is the **higher** of either:

- (i) aggregate of the Purchase Consideration and 20% of the Project Profit, the Project Profit being the GDV less the GDC of the Project; or
- (ii) a minimum guarantee value of RM93.50 million.

In evaluating the Development Rights Value, we have taken into consideration the following:

- (i) the market value of the Acquisition Land as appraised by the Valuer;
- (ii) the Feasibility Study in relation to the Project provided by the Management dated 5 September 2023; and
- (iii) precedent joint venture transactions.

We have reviewed the Feasibility Study in respect of the Project and the assumptions used in its preparation and are of the opinion that they have been prepared on bases reflecting the best estimates and judgement by the Management. The key assumptions adopted in the Feasibility Study are summarised below:

Parameters	Assumptions	Our comments
GDV (RM911.85 million)	The estimated GDV provided by the Management is based on the approved plans and after considering the marketing plans and development phasing of the Project.	After discussion with MEHB on the marketing plans and development phasing of the Project, and taking into consideration that the Project is within the Kiara Bay development where the master developer is MLSB, a subsidiary of UEMS, one of Malaysia's top property developer, we are of the opinion that the assumptions adopted are reasonable.
GDC (RM547.62 million)	The estimated GDC provided by the Management was based on the Independent QS Report which takes into account the land cost, construction costs (including soil test, piling works, site clearance and earthworks, building works, local infrastructure works, preliminaries and contingencies), contribution to authorities and submission fees, consultant fees, project management and administration fees, marketing costs and finance costs.	After reviewing the underlying basis and assumptions adopted in the Independent QS Report, and given that the estimated GDC of the Project have been verified by an independent professional/expert in the field, we are of the view that the estimated GDC provided by the Management is reasonable.

It should be highlighted that the evaluation may be materially or adversely affected should the actual results or sequence of events differ from any of the bases and assumptions upon which the Feasibility Study was based. As such, the adoption of such assumptions and projections does not imply that we warrant their validity or achievability. It is also based on prevailing economic, market and other conditions that may change over a relatively short period of time.

However, it should also be highlighted that pursuant to the DRA, there is a Minimum Guaranteed Value which is not dependent on the Project Profit, which guarantees return to MEHB Group for the Proposed Joint Development. The Minimum Guaranteed Value is the market value of the Acquisition Land of RM85.00 million with a margin of 10%, as a minimum guaranteed return for the holding period prior and during the development of the Acquisition Land.

The computation of Development Rights Value based on the Feasibility Study is as follows:

		RM'000
GDV		911,850
GDC		547,622
Project Profit	(A)	364,228
PKSB's entitlement of the Project Profit (20%)	(B) = 20% x (A)	72,846
Add: Purchase Consideration		85,000
Development Rights Value		157,846
Development Rights Value as a percentage to GDV		17.3%
Minimum Guaranteed Value		93,500
Minimum Guaranteed Value as a percentage to GDV		10.3%

As the Project is a residential development, we have conducted an analysis of the precedent joint venture transactions, which were announced on Bursa Securities in the past 3 years from the date of this IAL, which are involved in the development of apartments, residential units and mixed developments which include residential components as follows:

Date announced	Company	Transaction Details	Landowner's entitlement to GDV
05-Nov-20	TAFI Industries Berhad	Joint venture between TAFI Development Sdn Bhd (developer) and E Prompt Sdn Bhd (landowner)	16% to 25%
26-Nov-20	Ho Hup Construction Company Berhad	Joint venture between Ho Hup Dagang Jaya Sdn Bhd (developer) and Low Chee Group Sdn Bhd (landowner)	18%
20-Apr-21	Hil Industries Berhad	Joint ventures between Amverton Prop Sdn Bhd (developer) and (1) Unik Sejati Sdn Bhd (2) Pembinaan Kesentosaan Sdn Bhd (3) Amverton Carey Golf & Island Resort Sdn Bhd (landowners)	21% to 27%
18-May-22	Lion Posim Berhad	Joint venture between Landasan Lumayan Sdn Bhd (landowner) and Lion Waterfront Sdn Bhd (developer)	5%
24-Mar-23	Salcon Berhad	Joint venture between Nusantara Megajuta Sdn Bhd (landowner) and Exsim Kebun Teh Sdn Bhd (developer)	10%

From the analysis above, we noted that the payment to landowners based on the GDV, ranged from 5% to 27%. The Development Rights Value and Minimum Guaranteed Value as a percentage to GDV is 17.3% and 10.3% respectively, and it falls within the range of landowners' entitlement in precedent joint venture transactions for the past three years.

It should be noted that the Development Rights Value will be fully satisfied in cash as any unsold units at the time of the delivery of vacant possession shall be deemed to have been sold to MLSB at the net selling price for the relevant unsold units. This eliminates the risks of the Group receiving completed units as consideration and will strengthen the Group's cash flow position.

However, we wish to highlight that there are no precedent joint venture development cases which may be considered identical to the Project in terms of type of development, location, land owner's entitlement, GDV, GDC, etc. Whilst we noted that the respective precedent cases may have differences when compared to the Project, we are of the view that the identified precedent cases are reasonable to be adopted for the purpose of determining the estimated range of landowner's entitlement for joint venture developments.

As such, we are of the view that the Development Rights Value (including the Minimum Guaranteed Value) is **FAIR** and **REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

Projected return for the Proposals

Based on the Feasibility Study and the cash flow projections estimated by MEHB for the Proposed Acquisition and Proposed Joint Development, the Company had estimated the projected return for the Proposals using the internal rate of return ("**IRR**") method.

The pre-tax IRR for the Proposals is approximately 13.6% and the after-tax IRR based on the income tax rate of 24.0% is approximately 10.8%. The IRR was computed based on the projected cash outflows for the Proposed Acquisition and cash inflows expected from the Proposed Joint Development.

IRR represents the implied average annual return that an investor can expect over the course of the project or investment. The IRR of an investment or project is the rate of return that makes the net present value of all cash flows from a particular investment equal to zero, which can also be interpreted as the rate of return at which an investment will breakeven.

We have conducted a sensitivity analysis on the pre-tax IRR computation to assess the potential impact arising from the downward adjustment to the GDV and upward adjustment to the GDC as follows:

		GDV sensitivity (Based on Feasibility Study)	
		-5%⁽¹⁾	Base case
GDC sensitivity (Based on Feasibility Study)	+5%⁽²⁾	11.4% (low case)	12.8%
	Base case	12.2%	13.6% (high case)

Notes:

- (1) the 5% downward adjustment will result in GDV of RM866.25 million from the base case of RM911.85 million.
- (2) the 5% upward adjustment will result in GDC of RM575.00 million from the base case of RM547.62 million.

Based on the sensitivity analysis, the pre-tax IRR for the Proposals ranges from 11.4% to 13.6%.

To assess the reasonableness of the IRR for the Proposals, we have compared it against the cost of equity of MEHB. In estimating the cost of equity of MEHB, the capital asset pricing model was adopted and is derived based on the following formula:

$$\text{Cost of equity, } K_e = R_f + \beta (R_m - R_f)$$

CAPM input		Description
Risk free rate, R_f	4.642%	The risk free rate is the expected rate of return from a risk-free investment. We have relied on the yield of the 10-year Malaysian Government Securities as extracted from Bank Negara Malaysia website as at 11 September 2023, the date where the Proposals were announced, in view that this is the closest approximation to a risk-free investment in Malaysia.
Expected market return, R_m	9.19%	The expected rate of return for investing in a portfolio of assets representing the equity market. We have adopted the 10-year historical daily average return for FBMKLCI Index up to 11 September 2023, being announcement date of the Proposals as extracted from S&P Capital IQ. The FBMKLCI Index is a weighted stock market index comprising 30 largest companies listed on Bursa Securities, which is a close approximation to the equity market in Malaysia.
Beta, β	0.552	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier compared to the market and a beta of lower than 1 signifies that the asset is less risky as compared to the market. The β adopted is based on the 5-year historical beta of the Company up to 11 September 2023, being announcement date of the Proposals as extracted from S&P Capital IQ.

Based on the CAPM model, the estimated cost of equity of MEHB is 7.2%. We noted that the low case pre-tax IRR for the Proposals based on the sensitivity analysis above of 11.4% is still higher than the cost of equity of the Company of 7.2%.

However, we also noted that based on the cash flow projections for the Minimum Guaranteed Value, the IRR for the Proposals is only 2.0%, which is lower than the cost of equity of the Company of 7.2%. The Minimum Guaranteed Value is the market value of the Acquisition Land of RM85.00 million with a margin of 10% for the holding period prior and during the development of the Acquisition Land, which is approximately 6 years. The low IRR of 2% implies that the Minimum Guaranteed Value or the margin of 10% for the holding period of approximately 6 years may not be feasible for the Group to undertake the Proposals. However, we take cognisance that:

- (i) the Development Rights Value is the **higher** of either (i) the aggregate of the Purchase Consideration and 20% of the Project Profit; or (ii) the Minimum Guaranteed Value.

In view that the Project is located within Kiara Bay, an integrated mixed development which is currently being developed by MLSB, a subsidiary of UEMS, and 2 residential projects had already been launched within that vicinity as at LPD, the Company is confident on the development potential of the Acquisition Land and believes that the Project will yield positive profit as estimated in the Feasibility Study. Furthermore, the Project will be developed by a subsidiary of UEMS, which is an established property developer with track

record that has successfully created and developed the Mont Kiara township. As such, the Group is confident that the Development Rights Value will be much higher than the Minimum Guaranteed Value;

- (ii) the Minimum Guaranteed Value is higher than the market value of the Acquisition Land of RM85.00 million as ascribed by the Valuer; and
- (iii) Assuming that MEHB Group were to undertake the development of the Acquisition Land on its own, the Group will have to finance the development and bear the development risks, funding risks, take-up risks and cashflow risks for the development, as opposed to the terms of the Proposed Joint Development where MEHB Group is able to participate in the Project by contributing the Acquisition Land without additional funding or commitment to the development.

Premised on the above, we are of the of the view that the projected return for the Proposals (including the Minimum Guaranteed Value based on the margin of 10% to the market value of the Acquisition Land for the holding period of approximately 6 years) is **FAIR** and **REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

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7.4 Salient Terms of the SPA

The salient terms of the SPA are set out in Appendix I of the Circular. Our comments on the salient terms of the SPA are as follows:

Salient Terms of the SPA		Our comments
1.	<p>Basis of sale</p> <p>The Acquisition Land is sold:</p> <ul style="list-style-type: none"> (a) on an 'as is where is' basis; (b) free from all encumbrances, save for the Tenancy, but subject to all restrictions in interest and conditions of title applicable thereto whether express or implied and as may be set out in the Acquisition Land Title; (c) with all rights attaching thereto with effect from the Completion Date (as defined in Section 3.1 herein); (d) with legal possession subject to the Tenancy; (e) subject to PKSB's undertaking that any development of the Acquisition Land shall be in accordance with Section 5; and (f) subject to the grant of development rights to MLSB upon completion. 	<p>Reasonable</p> <p>This term sets out the conditions for the transaction that has been agreed between MLSB and PKSB, which is typical for transactions of such nature.</p>
2.	<p>Conditions precedent</p> <p>The completion of the Proposed Acquisition is subject to the fulfillment of the following conditions precedent within four (4) months from the date of the SPA ("Conditional Period"):</p> <ul style="list-style-type: none"> (a) all approvals necessary for the Proposed Acquisition being obtained; (b) approval of the board of directors and shareholders (if required) of PKSB and MLSB ("Parties") for the Proposed Acquisition; and (c) execution of the DRA. 	<p>Reasonable</p> <p>This term sets out the necessary approvals and conditions which are required to facilitate the completion of the Proposed Acquisition, which are typical for transactions of such nature.</p> <p>It also sets out the timeframe and steps to be taken if the approvals and conditions are not met within the stipulated timeframe.</p>

	Salient Terms of the SPA	Our comments
	<p>The SPA will become unconditional on the day in which the last of the conditions precedent is fulfilled or waived ("Unconditional Date").</p>	
2.2	<p>If any one of the conditions precedent is not fulfilled within the Conditional Period, the Parties shall, within three (3) months from the expiry of the Conditional Period, discuss whether such condition precedent is satisfied or to be waived, and if necessary, to extend the Conditional Period.</p>	
3.	<p>Purchase Consideration</p> <p>3.1 PKSB shall pay the sum of RM12,750,000 to MLSB ("Deposit") on or before the date of the SPA. The Deposit shall, on the Unconditional Date, be treated as part payment of the Purchase Consideration.</p> <p>PKSB shall, within four (4) months from the Unconditional Date ("Completion Period") pay the balance purchase consideration of RM72,250,000 ("Balance Purchase Consideration") to MLSB ("Completion Date").</p> <p>3.2 In the event the Balance Purchase Consideration is not paid in full on or before the expiry of the Completion Period, MLSB shall grant PKSB an automatic extension of thirty (30) days and thereafter, any period mutually agreed by the Parties, to pay the Balance Purchase Consideration.</p>	<p>Reasonable</p> <p>This term sets out the timeframe and payment obligations agreed by the parties, which is customary to facilitate the completion of the Proposed Acquisition.</p> <p>We noted that the Deposit paid to MLSB represents 15% of the Purchase Consideration, which is slightly higher than the norm for such transaction of between 5% to 10% of purchase consideration. However, we also note that there is no regulation governing the quantum of deposit to be paid in such transaction. The quantum of deposit to be paid is subject to negotiation between the vendor and purchaser.</p> <p>In this case, the Deposit was negotiated and agreed by MLSB and PKSB. The impact is additional 5% or RM4.25 million paid earlier as deposit to the Vendor. Such deposit is treated as part payment to the Purchase Consideration and is refundable to PKSB in the event where PKSB is entitled to terminate the SPA. As such, we are of the view that this term is reasonable and not</p>

Salient Terms of the SPA	Our comments
	detrimental to the non-interested shareholders of MEHB.
<p>4. Representations of MLSB</p> <p>(a) maintain its role as the master developer of Kiara Bay and provide all master infrastructure for the Acquisition Land subject to PKSB making the necessary application to the relevant authorities at its own costs and expenses, for connection to the utility services necessary to serve the Acquisition Land or any development thereon;</p> <p>(b) endeavour to procure the issuance of the Acquisition Land Title within twenty-four (24) months from the date of the SPA, with an automatic extension of three (3) months, and deliver a copy of the Acquisition Land Title to PKSB within seven (7) days from MLSB's receipt of the Acquisition Land Title;</p> <p>(c) submit the necessary application for consent of the state authority for the transfer of the Acquisition Land Title to PKSB;</p> <p>(d) pending the issuance of the Acquisition Land Title, provide an irrevocable power of attorney to PKSB, to enable PKSB to file necessary applications to the relevant authorities for the purposes of the development works for the Project ("Development Works"); and</p> <p>(e) obtain necessary approvals from the respective authorities for infrastructure works (sewerage, water supply and electricity) within twelve (12) months from the date of the SPA with an automatic extension of three (3) months and any further extended period as may be mutually agreed by the Parties, and to complete the abovementioned infrastructure works within twenty four (24) months from the Unconditional Date with an automatic extension of three (3) months and any further extended period as may be mutually agreed by the Parties.</p>	<p>Reasonable</p> <p>This term sets out the responsibilities of MLSB in relation to the Proposed Acquisition and the Project, for the benefits of PKSB.</p> <p>These responsibilities are given by MLSB and PKSB to each other. If any of these responsibilities are breached, the defaulting party shall indemnify the non-defaulting party in respect of any loss or damage that may be incurred for such breach.</p>

Salient Terms of the SPA

Our comments

5. Representations of PKSB

Reasonable

- (a) obtain all necessary approvals and exercise all reasonable care to ensure that no damage or injury is caused or suffered by the lands adjacent to the Acquisition Land in carrying out the Development Works;
- (b) construct, at its own costs and expenses, all internal infrastructures within the Acquisition Land;
- (c) indemnify and keep MLSB fully indemnified against all actions, proceedings, prosecutions, claims, demands, costs, damages, losses, fines or penalties which may be brought against or suffered by MLSB as result of the grant of the power of attorney by MLSB to PKSB;
- (d) not undertake or construct upon the Acquisition Land any building, structure or development other than in accordance with the development parameters set out in Section 6;
- (e) not deal, transfer, assign, charge, encumber or dispose the Acquisition Land or any part thereof pending issuance of the Acquisition Land Title and registration of PKSB as registered proprietor for the Acquisition Land Title;
- (f) ensure that the transfer of the Acquisition Land is presented for registration at the relevant land registry within fourteen (14) business days from PKSB's receipt of the necessary documents required for the transfer;
- (g) submit all marketing materials of the development or project on the Acquisition Land to MLSB for prior review;
- (h) not use MLSB's sales gallery at Kiara Bay without prior written consent of MLSB;
- (i) not to offer any project, marketing, or development management services in the future to MLSB or any party within Kiara Bay; and
- (j) ensure that in the event of disposal of the Acquisition Land or any part thereof, the prospective purchaser to provide written undertaking to comply with the provisions of Sections 5, 6 and 7.

This term sets out the responsibilities of PKSB in relation to the Proposed Acquisition and the Project, for the benefits of MLSB.

These responsibilities are given by MLSB and PKSB to each other. If any of these responsibilities are breached, the defaulting party shall indemnify the non-defaulting party in respect of any loss or damage that may be incurred for such breach.

Salient Terms of the SPA	Our comments
<p>6. Development parameters</p> <p>PKSB acknowledges that the Acquisition Land is part of MLSB's master concept for Kiara Bay and any development of the Acquisition Land shall be in accordance with the following:</p> <ul style="list-style-type: none"> (a) the development shall consist of serviced apartments positioned at similar classification, nature and standard as other Kiara Bay developments; (b) the Acquisition Land shall be developed based on the development order obtained including the plot ratio threshold of 1:8.68; (c) the development shall comply with the urban design guideline issued by the authorities from time to time. PKSB shall not construct or develop any affordable or low cost component or property on the Acquisition Land or any part thereof and the Parties have acknowledged and agreed that the development of the Acquisition Land shall comprise of apartment units based upon 140,760 square metres of allowable gross floor area or thereabouts; (d) in the event of an increase in parameters as set out in Section 6(c) which results in the increase in capacity of the infrastructure as set out in Section 6(e) below, PKSB shall bear all costs and expenses for the increase; and (e) MLSB as the developer of Kiara Bay is entitled to review and amend the development order from time to time. 	<p>Reasonable</p> <p>As the Proposed Acquisition and Proposed Joint Development are inter-conditional, this term sets out the understanding that the Acquisition Land is part of MLSB's development for Kiara Bay and is to be developed in accordance with the parameters approved for Kiara Bay's development.</p>
<p>7. Special condition</p> <ul style="list-style-type: none"> (a) PKSB shall enter into a new tenancy agreement on the same terms with the Tenant pursuant to the Tenancy ("New Tenancy Agreement"); (b) PKSB shall deliver a copy of the duly executed New Tenancy Agreement to MLSB; and (c) After the date of the SPA, MLSB shall not vary, renew or extend the Tenancy without the consent by PKSB. 	<p>Reasonable</p> <p>As there is an existing tenant on the Acquisition Land, this terms sets out that PKSB shall enter into the New Tenancy Agreement with the Tenant, as agreed between MLSB and PKSB.</p>

Salient Terms of the SPA		Our comments
8.	Termination	Reasonable
8.1	<p>In the event where MLSB is entitled to terminate the SPA upon PKSB defaulting in the satisfaction of the Purchase Consideration:</p> <ul style="list-style-type: none"> (a) the Deposit shall be forfeited to MLSB; (b) PKSB shall withdraw any private caveat lodged over the Acquisition Land; (c) PKSB shall re-deliver vacant possession of the Acquisition Land to MLSB; and (d) MLSB shall return the Balance Purchase Consideration to PKSB within seven (7) business days after PKSB withdraws any private caveat over the Acquisition Land and re-delivers vacant possession of the Acquisition Land to MLSB.. 	<p>This term safeguards the interest of MLSB in the event of a default by PKSB. It provides the steps to be taken if PKSB defaults in the payment of the Purchase Consideration.</p>
8.2	<p>In the event where PKSB is entitled to terminate the SPA upon MLSB failing or refusing to complete the Proposed Acquisition:</p> <ul style="list-style-type: none"> (a) PKSB shall withdraw any private caveat lodged over the Acquisition Land; (b) PKSB shall re-deliver vacant possession of the Acquisition Land to MLSB; and (c) MLSB shall return Purchase Consideration to PKSB and pay an additional sum equivalent to the Deposit to PKSB within seven (7) business days after PKSB withdraws any private caveat over the Acquisition Land and re-delivers vacant possession of the Acquisition Land to MLSB. 	<p>This term safeguards the interest of PKSB in the event of a default by MLSB. It provides the steps to be taken if MLSB defaults in completing the Proposed Acquisition.</p>

Based on the above, we are of the view that the abovementioned salient terms of the SPA are **REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

7.5 Salient Terms of DRA

The salient terms of the DRA are set out in Appendix II of the Circular. Our comments on the salient terms of the DRA are as follows:

Salient Terms of the DRA		Our comments
1.	<p>Development rights</p> <p>Subject to the completion of the SPA, PKSB grants to MLSB the sole and exclusive irrevocable rights to develop the Acquisition Land and to sell the completed units available for sale from the Project (“Units”).</p> <p>The Acquisition Land shall be developed into a residential development subject to some supporting commercial units as may be deemed desirable by MLSB. The type, nature, design and timeline of the Project shall be determined solely by MLSB taking into consideration of prevailing market conditions and sentiments provided always that development over the Acquisition Land shall be given priority over the development of the parcel of land adjacent to the Acquisition Land held under PN 54546 Lot 82362, Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan (“Plot 8”).</p>	<p>Reasonable</p> <p>This term sets out terms and conditions for the Proposed Joint Development that has been agreed by MLSB and PKSB, which is typical for transactions of such nature.</p>
2.	<p>Development Rights Value</p> <p>In consideration for the development rights granted by PKSB to MLSB, PKSB shall be entitled to the Development Rights Value in the following manner:</p> <ul style="list-style-type: none"> (a) a sum equivalent to 10% of the Minimum Guaranteed Value shall be paid by MLSB to PKSB within fourteen (14) days from the official launch of the Project; (b) the remaining balance, being 90% of the higher of: <ul style="list-style-type: none"> (i) the Minimum Guaranteed Value; or (ii) the aggregate of the Purchase Consideration and 20% of the Project Profit (“PKSB’s Entitlement”) <p>shall be paid by MLSB to PSKB within ninety (90) days from the date of the first written notice of delivery of vacant possession of the completed units in the Project by MLSB.</p>	<p>Reasonable</p> <p>This term sets out the Development Rights Value due to PKSB and its payment timeframe, which is customary to facilitate the completion of the Proposed Joint Development.</p>

Salient Terms of the DRA		Our comments
	<p>The Project Profit means the aggregate sales price payable for each Unit excluding all discounts given ("Sales Proceeds"), less the costs incurred for development of the Project ("Project Costs").</p>	
3.	<p>MLSB's entitlement</p> <p>In consideration of MLSB performing its obligations under the DRA, MLSB is entitled to 80% of the Project Profit.</p> <p>Any Units which remain unsold as at the time of the delivery of the vacant possession of Units shall be deemed to have been sold to MLSB at a price equivalent to the net selling price listed for the relevant unsold Units and shall be included as part of the Sales Proceeds for the computation of MLSB's and PKSB's entitlement.</p>	<p>Reasonable</p> <p>This term clarifies the entitlement for MLSB pursuant to the Proposed Joint Development.</p> <p>We note any unsold units at the time of the delivery of vacant possession shall be deemed to have been sold to MLSB at the net selling price for the relevant unsold units. This is beneficial to PKSB as it ensures that PKSB will receive the Development Rights Value fully in cash and eliminates the risk of receiving completed units as consideration.</p>
4.	<p>Undertakings of MLSB</p> <p>(a) MLSB shall develop the Acquisition Land in accordance with the development order approved by relevant authorities;</p> <p>(b) MLSB shall be responsible to obtain the funding required to carry out and complete the Project. MLSB may obtain banking facilities with PKSB's agreement to charge the Acquisition Land as security and in so doing, PKSB is not required to provide any guarantee for the banking facilities;</p> <p>(c) MLSB shall be responsible for submission, approvals, surveys, the issue of titles, technical know-how, skills, expertise, consultancy and other services for the Project;</p> <p>(d) MLSB shall insure the Project in such manner that the interests of MLSB are adequately protected from any loss or damage arising from a cause occasioned by any of the development works or as a consequence thereof;</p>	<p>Reasonable</p> <p>This term set out the undertakings of MLSB in relation to the Proposed Joint Development, for the benefits of PKSB.</p> <p>These undertakings are given by MLSB and PKSB to each other to ensure the development are completed as planned.</p>

Salient Terms of the DRA	Our comments
<p>(e) MLSB shall open a housing development account (“HDA Account”) into which all moneys required to be deposited into the HDA Account under the Housing Development (Housing Development Account) Regulations 1991, pertaining to the Project shall be deposited. The HDA Account shall be operated with priority to paying all the Project Costs;</p> <p>(f) PKS B may view the progress of the Project during the construction period by providing within seven (7) days prior notice to MLSB; and</p> <p>(g) MLSB shall ensure that the works are undertaken, carried out and completed in accordance and in compliance with the relevant laws and regulations.</p>	
<p>5. Undertakings of PKS B</p> <p>(a) PKS B shall render reasonable assistance to MLSB and do all such reasonable acts and things and execute all documents which are necessary for the Project;</p> <p>(b) PKS B shall grant MLSB a limited power of attorney to carry out its obligations under the DRA;</p> <p>(c) PKS B shall permit MLSB to enter the Acquisition Land to carry out the development of the Project;</p> <p>(d) PKS B covenants and undertakes that the Acquisition Land is not and shall not be subjected to any encumbrances whatsoever and except for the DRA and the existing Tenancy; and</p> <p>(e) Within fourteen (14) days from the completion of the SPA, PKS B shall deliver to MLSB possession of the Acquisition Land on ‘as is where is’ basis, free from encumbrances but with the existing Tenancy.</p>	<p>Reasonable</p> <p>This term set out the undertakings of PKS B in relation to the Proposed Joint Development, for the benefits of MLSB.</p> <p>These undertakings are given by MLSB and PKS B to each other to ensure the development are completed as planned.</p>
<p>6. Events of default</p> <p>(a) MLSB fails to pay the Development Rights Value or any part thereof to PKS B as and when payment is due in accordance with the terms of the DRA;</p> <p>(b) a resolution is passed for the winding-up or a court order is made for the winding-up or appointment of a liquidator, receiver or manager of MLSB or PKS B;</p>	<p>Reasonable</p> <p>This term establishes grounds for termination in various circumstances to safeguard the interest of both parties.</p>

Salient Terms of the DRA	Our comments
<p>(c) any execution or distress is levied or enforced against any of the property or asset of MLSB or PKSB;</p> <p>(d) MLSB or PKSB suspends or ceases to carry on all or a material part of its business;</p> <p>(e) MLSB or PKSB fails to comply with any provisions of the DRA;</p> <p>(f) MLSB or PKSB is in breach of the warranties set out in the DRA; or</p> <p>(g) the SPA is terminated or fails to be completed.</p>	
<p>7. Termination</p> <p>(a) In the event of termination by PKSB:</p> <p>(i) MLSB shall pay to PSKB the outstanding Development Rights Value; or</p> <p>(ii) PKSB may take such action in law as may be necessary to compel MLSB by way of specific performance to complete the Project, provided always that if MLSB pays the outstanding Development Rights Value to PKSB, then specific performance shall not be available</p> <p>In the event the DRA is terminated prior to completion of the Project and determination of the Project Profits, the Development Rights Value shall be a sum equivalent to the Minimum Guaranteed Value.</p> <p>(b) In the event of termination of MLSB:</p> <p>(i) MLSB may take action against PKSB for damages for loss suffered by MLSB as a result of PKSB's breach or omission; or</p> <p>(ii) MLSB may elect to take such action in law as may be necessary to compel PKSB by way of specific performance to perform its obligations.</p>	<p>Reasonable</p> <p>This term safeguards the interest of PKSB in the event of a default by MLSB. It provides the steps to be taken if MLSB defaults in the DRA.</p> <p>This term safeguards the interest of MLSB in the event of a default by PKSB. It provides the steps to be taken if PKSB defaults in the DRA.</p>

Based on the above, we are of the view that the abovementioned salient terms of the DRA are **REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

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7.6 Effects of the Proposals

The effects of the Proposals are set out in Section 7 Part A of the Circular. Our comments are as follows:

Effects of the Proposals on:	Our comments
Issued share capital and substantial shareholders' shareholdings	The Proposals will not have any effect on the issued share capital and substantial shareholders' shareholdings of MEHB as it do not involve issuance of shares in MEHB.
NA and gearing	We noted there is no immediate significant impact to the NA of MEHB Group. Based on the latest unaudited consolidated financial statements of MEHB as at 31 August 2023, the NA attributable to the owners of the Company will decrease from RM245.22 million to RM244.92 million as a result of the estimated expenses for the Proposals. The gearing of the Company remains at 0.33 times.
Earnings and EPS	We noted that there is no immediate significant impact to the earnings and EPS of MEHB Group. However, the Proposed Joint Development is expected to be earnings accretive and will contribute positively to the future earnings and EPS of MEHB Group as the Group is entitled to the higher of the Minimum Guaranteed Value or the aggregate of the Purchase Consideration and 20% of the Project Profit.
Convertible securities	MEHB Group do not have any outstanding convertible securities.

Based on the above, we are of the view that the financial effects of the Proposals are **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

7.7 Risk Factors

In considering the Proposals, the non-interested shareholders of the Company are advised to give careful consideration to the risk factors set out in Section 6 Part A of the Circular.

Eco Asia's Comments

The Proposals are conditional upon fulfilment of conditions precedents in the SPA and DRA respectively. The Proposed Joint Development is subject to the inherent risks in the property development and construction industry. As both MLSB and the Group are already involved in the property development business, the Group is not expected to be exposed to new business risks as a result of the Proposed Joint Development.

We take note that the Group is fully dependent on MLSB to complete the Project under the Proposed Joint Development. However, we also noted that MLSB is a subsidiary of UEMS, one of Malaysia's top property developer. As at LPD, UEMS group has launched 2 residential projects in Kiara Bay, ie Residensi AVA and Residensi Zig, which shows the commitment and confidence of UEMS group in developing the Kiara Bay township. Furthermore, we understand that the development of the Acquisition Land is given priority over the development of its adjacent plots as provided in the DRA. As such, we believe that the risk of non-completion of the Project and the Proposed Joint Development is low.

We noted that the Minimum Guaranteed Value is based on the current market valuation of the Acquisition Land, and by entering into the Proposed Joint Development, the Group may lose out on any potential increase in capital value of the Acquisition Land in the future. However, with the Proposed Joint Development, the Group has secured a minimum return of 10% on the Purchase Consideration. With the receipt of the Development Rights Value, the Group will be able to channel such proceeds into the Group's business to generate future positive returns.

7.8 Industry Overview and Prospects

We take note of the industry overview and prospects as set out in Section 5 Part A of the Circular. Our comments are as follows:

7.8.1 Overview and outlook of the Malaysian economy

The Malaysian economy continued its positive growth trend, albeit at a more subdued pace of 2.9% in the second quarter of 2023. On the demand side, growth was driven by sustained domestic demand, contributed by strong private and public expenditures.

Private consumption rose by 4.3%, primarily contributed by household spending in clothing and footwear; communication; and housing, water, electricity, gas & other fuels segments. Private investment increased by 5.1%, underpinned by capital spending related to structure; machinery and equipment; and other assets. Public consumption grew by 3.8%, supported by spending on supplies & services. Public investment expanded by 7.9%, mainly due to higher capital spending by public corporations, especially in the oil & gas and transport segments.

On the supply side, services, manufacturing and construction sectors continued to drive growth. The services sector grew by 4.7% attributed to the increase of 13.5% in transportation and storage, followed by food & beverages and accommodation (9.5%); real estate and business services (8%); other services (6.7%); wholesale and retail trade (4.7%); information and communication (3.6%); as well as utilities (3.5%) subsectors. Meanwhile, finance and insurance was the sole subsector that experienced a contraction of 4.7%.

The manufacturing sector recorded a marginal growth of 0.1% due to slower growth in export-oriented industries, mainly electrical, electronic and optical products (-1.5%); and petroleum, chemical, rubber and plastic products (-1.6%) subsectors. Nevertheless, the domestic-oriented industries lifted up the sector's performance, particularly in non-metallic mineral products, basic metal and fabricated metal products (5.4%); food, beverages and tobacco (3.7%); and transport equipment, other manufacturing and repair (0.7%) subsectors.

The construction sector growth remained strong at 6.2% contributed by positive performance in all subsectors, namely the civil engineering (10%); specialised construction activities (6.4%); residential buildings (6.1%); and non-residential buildings (2.3%). The rosy performance was driven by the acceleration of the implementation of infrastructure projects, housing construction as well as commercial and industrial buildings.

(Source: Malaysian Economy Second Quarter 2023, Ministry of Finance)

7.8.2 Overview and outlook of the Malaysian property market

Despite the challenging global financial and economic environment, the property market managed to stay poised and posted a marginal softening in market activity in the first half of 2023 (H1 2023) compared to the same period last year (H1 2022).

Various initiatives outlined under the revised Budget 2023 by the government to a certain extent helped to spur property market activities. These are:

1. Full stamp duty exemption on instrument of transfer and loan agreement for the purchase of the first residential home priced up to RM500,000 by Malaysia citizens remained until 31 December 2025.
2. Increase of stamp duty remission from 50% to 75% for the purchase of the first residential properties priced between RM500,000 to RM 1 million by Malaysian citizens and applicable for sale and purchase agreements executed until 31 December 2023.
3. Full stamp duty exemption up to RM1 million and 50% stamp duty remission for the remaining balance on transfers of property by way of love and affection between family members (father to child and grandfather to grandson).
4. Allocation of RM460.2 million for the building of new homes and home renovations in rural areas.
5. Allocation of RM389.5 million will be channelled to the People's Housing Programme.
6. Allocation of RM358 million for the construction of affordable homes under Rumah Mesra Rakyat programme by Syarikat Perumahan Negara Berhad.
7. Allocation of RM462 million for the construction of 23,000 houses under Projek Perumahan Awam Malaysia.
8. Increase the guarantees of up to RM5 billion via Syarikat Jaminan Kredit Perumahan (SJKP) in assisting gig workers such as e-hailing workers in obtaining home financing up to RM500,000.

The overnight policy rate ("**OPR**") was increased by another 25 basis points to 3.0% in May 2023 after it was raised a total of four times by a cumulative 100 basis points to 2.75% in 2022. However, this figure was still below the pre-Covid rate of 3.25% seen in March 2019. With the domestic growth prospects remained resilient, the Monetary Policy Committee (MPC) judges that the adjustment was made timely to further normalise the degree of monetary accommodation. At the current OPR, the monetary policy stance is slightly accommodative and remains supportive of the economy.

Property market activity recorded a total of 184,140 transactions worth RM85.37 billion, down by 2.1% in volume but increased slightly by 1.1% in value against corresponding period. From the total transactions, 32.1% (59,090) and 63.6% (117,129) were transfers dated in 2022 and 2023 respectively while the remaining percentage share was for prior years' transfers.

The residential sub-sector led the overall property market, with 62.4% contribution. This was followed by agriculture sub-sector (19.8%), commercial (9.6%), development land and others (6.2%) and industrial (2.0%). In terms of value, residential took the lead with 52.5% share, followed by commercial (19.6%), industrial (12.8%), agriculture (8.3%) and development land and others (6.8%).

In the first half of 2023, the residential overhang situation improved as the numbers reduced. A total of 26,286 overhang units worth RM18.30 billion was recorded, showing a decrease of 5.3% and 0.6% in volume and value respectively against H2 2022. Likewise, the unsold under construction residential units saw a decrease of 4.9% to 54,844 units compared to H2 2022 (57,649 units).

(Source: Property Market Report First Half 2023, Valuation and Property Services Department Malaysia, Ministry of Finance)

We are of the view that the property market in Malaysia is expected to see gradual improvement in the coming year as the pandemic is over and more positive economic data indicators drives the economic recovery. Together with the various initiatives outlined above, it boost business confidence, household sentiments as well the general economy, which will augur well for the property market in the future.

7.8.3 Prospects of MEHB Group

As set out in Section 5.3 Part A of the Circular, the Group is optimistic that the Acquisition Land has good development potential and there will be strong demand for the Project to be undertaken on the Acquisition Land.

We are of the view that the prospects of the Acquisition Land and the Proposals are not detrimental to the Group as the Proposals allow the Group to expand its landbank in a strategic location in the heart of Kepong, which is an established suburb in Kuala Lumpur.

We also note that the joint development partner of MEHB under the Proposed Joint Development is MLSB, a subsidiary of UEMS. UEMS is one of the top property developers in Malaysia, which has successfully created and developed the Mont Kiara township. The Acquisition Land is part of MLSB's master concept for the Kiara Bay development. As such the Group is confident on the development prospects for the Proposed Joint Development.

Premised on the above, we are of the view that the prospects of the Proposals is **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

7.9 Liabilities to be assumed

MEHB Group will not assume any other liabilities, including contingent liabilities and guarantee arising from the Proposals.

Hence, we are of the view that the Proposals are **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

8. CONCLUSION AND RECOMMENDATION

In arriving at our recommendations, we have assessed and evaluated the Proposals, after taking into consideration the various factors discussed in Section 7 of this IAL. You should consider carefully all the merits and demerits of the Proposals based on all relevant factors discussed in Section 7 of this IAL and those which are set out in Part A and the Appendices of the Circular, prior to making a decision on whether to vote in favour of or to vote against the Proposals.

After taking into consideration of our overall assessment and evaluation of the Proposals based on the information available to us up to the LPD, we are of the view that the Proposals are **FAIR AND REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of MEHB.

Accordingly, we recommend that the non-interested shareholders of MEHB to **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Before arriving at the decision to vote on the resolutions pertaining to the Proposals, it is pertinent that the non-interested shareholders of MEHB consider the issues and implications raised in this IAL as well as other considerations as set out in Part A of the Circular carefully and the Audit Committee's statement and recommendation as set out in Section 13, Part A of the Circular.

Yours faithfully,
For and on behalf of
ECO ASIA CAPITAL ADVISORY SDN BHD



KHOO CHEE SIANG
Managing Director
Corporate Finance



NENG KUAN SEN
Director
Corporate Finance

APPENDIX I – SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:

1. Basis of sale

The Acquisition Land is sold:

- (a) on an 'as is where is' basis;
- (b) free from all encumbrances, save for the Tenancy, but subject to all restrictions in interest and conditions of title applicable thereto whether express or implied and as may be set out in the Acquisition Land Title;
- (c) with all rights attaching thereto with effect from the Completion Date (as defined in Section 3.1 herein);
- (d) with legal possession subject to the Tenancy;
- (e) subject to PKSB's undertaking that any development of the Acquisition Land shall be in accordance with Section 5; and
- (f) subject to the grant of development rights to MLSB upon completion.

2. Conditions precedent

2.1 The completion of the Proposed Acquisition is subject to the fulfillment of the following conditions precedent within four (4) months from the date of the SPA ("**Conditional Period**"):

- (a) all approvals necessary for the Proposed Acquisition being obtained;
- (b) approval of the board of directors and shareholders (if required) of PKSB and MLSB ("**Parties**") for the Proposed Acquisition; and
- (c) execution of the DRA.

The SPA will become unconditional on the day in which the last of the conditions precedent is fulfilled or waived ("**Unconditional Date**").

2.2 If any one of the conditions precedent is not fulfilled within the Conditional Period, the Parties shall, within three (3) months from the expiry of the Conditional Period, discuss whether such condition precedent is satisfied or to be waived, and if necessary, to extend the Conditional Period.

3. Purchase Consideration

3.1 PKSB shall pay the sum of RM12,750,000 to MLSB ("**Deposit**") on or before the date of the SPA. The Deposit shall, on the Unconditional Date, be treated as part payment of the Purchase Consideration.

PKSB shall, within four (4) months from the Unconditional Date ("**Completion Period**") pay the balance purchase consideration of RM72,250,000 ("**Balance Purchase Consideration**") to MLSB ("**Completion Date**").

- 3.2 In the event the Balance Purchase Consideration is not paid in full on or before the expiry of the Completion Period, MLSB shall grant PKSB an automatic extension of thirty (30) days and thereafter, any period mutually agreed by the Parties, to pay the Balance Purchase Consideration.

4. Representations of MLSB

- (a) maintain its role as the master developer of Kiara Bay and provide all master infrastructure for the Acquisition Land subject to PKSB making the necessary application to the relevant authorities at its own costs and expenses, for connection to the utility services necessary to serve the Acquisition Land or any development thereon;
- (b) endeavour to procure the issuance of the Acquisition Land Title within twenty-four (24) months from the date of the SPA, with an automatic extension of three (3) months, and deliver a copy of the Acquisition Land Title to PKSB within seven (7) days from MLSB's receipt of the Acquisition Land Title;
- (c) submit the necessary application for consent of the state authority for the transfer of the Acquisition Land Title to PKSB;
- (d) pending the issuance of the Acquisition Land Title, provide an irrevocable power of attorney to PKSB, to enable PKSB to file necessary applications to the relevant authorities for the purposes of the development works for the Project ("**Development Works**"); and
- (e) obtain necessary approvals from the respective authorities for infrastructure works (sewerage, water supply and electricity) within twelve (12) months from the date of the SPA with an automatic extension of three (3) months and any further extended period as may be mutually agreed by the Parties, and to complete the abovementioned infrastructure works within twenty four (24) months from the Unconditional Date with an automatic extension of three (3) months and any further extended period as may be mutually agreed by the Parties.

5. Representations of PKSB

- (a) obtain all necessary approvals and exercise all reasonable care to ensure that no damage or injury is caused or suffered by the lands adjacent to the Acquisition Land in carrying out the Development Works;
- (b) construct, at its own costs and expenses, all internal infrastructures within the Acquisition Land including but not limited to any roads, drainage, sewerage plants or mains and others required for water and electricity supply;
- (c) indemnify and keep MLSB fully indemnified against all actions, proceedings, prosecutions, claims, demands, costs, damages, losses, fines or penalties which may be brought against or suffered by MLSB as result of the grant of the power of attorney by MLSB to PKSB;
- (d) not undertake or construct upon the Acquisition Land any building, structure or development other than in accordance with the development parameters set out in Section 6;

APPENDIX I – SALIENT TERMS OF THE SPA (cont'd)

- (e) not deal, transfer, assign, charge, encumber or dispose the Acquisition Land or any part thereof pending issuance of the Acquisition Land Title and registration of PKSB as registered proprietor for the Acquisition Land Title;
- (f) ensure that the transfer of the Acquisition Land is presented for registration at the relevant land registry within fourteen (14) business days from PKSB's receipt of the necessary documents required for the transfer;
- (g) submit all marketing materials of the development or project on the Acquisition Land to MLSB for prior review;
- (h) not use MLSB's sales gallery at Kiara Bay without prior written consent of MLSB;
- (i) not to offer any project, marketing, or development management services in the future to MLSB or any party within Kiara Bay; and
- (j) ensure that in the event of disposal of the Acquisition Land or any part thereof, the prospective purchaser to provide written undertaking to comply with the provisions of Sections 5, 6 and 7.

6. Development parameters

PKSB acknowledges that the Acquisition Land is part of MLSB's master concept for Kiara Bay and any development of the Acquisition Land shall be in accordance with the following:

- (a) the development shall consist of serviced apartments positioned at similar classification, nature and standard as other Kiara Bay developments;
- (b) the Acquisition Land shall be developed based on the development order obtained including the plot ratio threshold of 1:8.68;
- (c) the development shall comply with the urban design guideline issued by the authorities from time to time. PKSB shall not construct or develop any affordable or low cost component or property on the Acquisition Land or any part thereof and the Parties have acknowledged and agreed that the development of the Acquisition Land shall comprise of apartment units based upon 140,760 square metres of allowable gross floor area or thereabouts;
- (d) in the event of an increase in parameters as set out in Section 6(c) which results in the increase in capacity of the infrastructure as set out in Section 6(e) below, PKSB shall bear all costs and expenses for the increase; and
- (e) MLSB as the developer of Kiara Bay is entitled to review and amend the development order from time to time.

7. Special condition

- (a) PKSB shall enter into a new tenancy agreement on the same terms with the Tenant pursuant to the Tenancy ("**New Tenancy Agreement**");
- (b) PKSB shall deliver a copy of the duly executed New Tenancy Agreement to MLSB; and
- (c) After the date of the SPA, MLSB shall not vary, renew or extend the Tenancy without the consent by PKSB.

APPENDIX I – SALIENT TERMS OF THE SPA (cont'd)

8. Termination

- 8.1 In the event where MLSB is entitled to terminate the SPA upon PKSB defaulting in the satisfaction of the Purchase Consideration:
- (a) the Deposit shall be forfeited to MLSB;
 - (b) PKSB shall withdraw any private caveat lodged over the Acquisition Land;
 - (c) PKSB shall re-deliver vacant possession of the Acquisition Land to MLSB; and
 - (d) MLSB shall return the Balance Purchase Consideration to PKSB within seven (7) business days after PKSB withdraws any private caveat over the Acquisition Land and re-delivers vacant possession of the Acquisition Land to MLSB.
- 8.2 In the event where PKSB is entitled to terminate the SPA upon MLSB failing or refusing to complete the Proposed Acquisition:
- (a) PKSB shall withdraw any private caveat lodged over the Acquisition Land;
 - (b) PKSB shall re-deliver vacant possession of the Acquisition Land to MLSB; and
 - (c) MLSB shall return the Purchase Consideration to PKSB and pay an additional sum equivalent to the Deposit to PKSB within seven (7) business days after PKSB withdraws any private caveat over the Acquisition Land and re-delivers vacant possession of the Acquisition Land to MLSB.

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APPENDIX II – SALIENT TERMS OF THE DRA

The salient terms of the DRA are as follows:

1. Development rights

Subject to the completion of the SPA, PKSB grants to MLSB the sole and exclusive irrevocable rights to develop the Acquisition Land and to sell the completed units available for sale from the Project ("**Units**") upon completion of the Project.

The Acquisition Land shall be developed into a residential development subject to some supporting commercial units as may be deemed desirable by MLSB. The type, nature, design and timeline of the Project shall be determined solely by MLSB taking into consideration of prevailing market conditions and sentiments provided always that development over the Acquisition Land shall be given priority over the development of Plot 8.

2. Development Rights Value

In consideration for the development rights granted by PKSB to MLSB, PKSB shall be entitled to the Development Rights Value in the following manner:

- (a) a sum equivalent to 10% of the Minimum Guaranteed Value shall be paid by MLSB to PKSB within fourteen (14) days from the official launch of the Project;
- (b) the remaining balance, being 90% of the higher of:
 - (i) the Minimum Guaranteed Value; or
 - (ii) the aggregate of the Purchase Consideration and 20% of the Project Profit ("**PKSB's Entitlement**"),

shall be paid by MLSB to PKSB within ninety (90) days from the date of the first written notice of delivery of vacant possession of the completed units in the Project by MLSB.

The Project Profit means the aggregate sales price payable for each Unit excluding all discounts given ("**Sales Proceeds**"), less the costs incurred for development of the Project ("**Project Costs**").

3. MLSB's entitlement

In consideration of MLSB performing its obligations under the DRA, MLSB is entitled to 80% of the Project Profit.

Any Units which remain unsold as at the time of the delivery of the vacant possession of Units shall be deemed to have been sold to MLSB at a price equivalent to the net selling price listed for the relevant unsold Units and shall be included as part of the Sales Proceeds for the computation of MLSB's and PKSB's entitlement.

4. Undertakings of MLSB

- (a) MLSB shall develop the Acquisition Land in accordance with the development order approved by relevant authorities;
- (b) MLSB shall be responsible to obtain the funding required to carry out and complete the Project. MLSB may obtain banking facilities with PKSB's agreement to charge the Acquisition Land as security and in so doing, PKSB is not required to provide any guarantee for the banking facilities;
- (c) MLSB shall be responsible for submission, approvals, surveys, the issue of titles, technical know-how, skills, expertise, consultancy and other services for the Project;
- (d) MLSB shall insure the Project in such manner that the interests of MLSB are adequately protected from any loss or damage arising from a cause occasioned by any of the development works or as a consequence thereof;
- (e) MLSB shall open a housing development account ("**HDA Account**") into which all moneys required to be deposited into the HDA Account under the Housing Development (Housing Development Account) Regulations 1991, pertaining to the Project shall be deposited. The HDA Account shall be operated with priority to paying all the Project Costs;
- (f) PKSB may view the progress of the Project during the construction period by providing within seven (7) days prior notice to MLSB; and
- (g) MLSB shall ensure that the works are undertaken, carried out and completed in accordance and in compliance with the relevant laws and regulations.

5. Undertakings of PKSB

- (a) PKSB shall render reasonable assistance to MLSB and do all such reasonable acts and things and execute all documents which are necessary for the Project;
- (b) PKSB shall grant MLSB a limited power of attorney to carry out its obligations under the DRA;
- (c) PKSB shall permit MLSB to enter the Acquisition Land to carry out the development of the Project;
- (d) PKSB covenants and undertakes that the Acquisition Land is not and shall not be subjected to any encumbrances whatsoever and except for the DRA and the existing Tenancy; and
- (e) Within fourteen (14) days from the completion of the SPA, PKSB shall deliver to MLSB possession of the Acquisition Land on 'as is where is' basis, free from encumbrances but with the existing Tenancy.

6. Events of default

- (a) MLSB fails to pay the Development Rights Value or any part thereof to PKSB as and when payment is due in accordance with the terms of the DRA;
- (b) a resolution is passed for the winding-up or a court order is made for the winding-up or appointment of a liquidator, receiver or manager of MLSB or PKSB;
- (c) any execution or distress is levied or enforced against any of the property or asset of MLSB or PKSB;
- (d) MLSB or PKSB suspends or ceases to carry on all or a material part of its business;
- (e) MLSB or PKSB fails to comply with any provisions of the DRA;
- (f) MLSB or PKSB is in breach of the warranties set out in the DRA; or
- (g) the SPA is terminated or fails to be completed.

7. Termination

- (a) In the event of termination by PKSB:
 - (i) MLSB shall pay to PKSB the outstanding Development Rights Value; or
 - (ii) PKSB may take such action in law as may be necessary to compel MLSB by way of specific performance to complete the Project, provided always that if MLSB pays the outstanding Development Rights Value to PKSB, then specific performance shall not be available.

In the event the DRA is terminated prior to completion of the Project and determination of the Project Profits, the Development Rights Value shall be a sum equivalent to the Minimum Guaranteed Value.

- (b) In the event of termination of MLSB:
 - (i) MLSB may take action against PKSB for damages for loss suffered by MLSB as a result of PKSB's breach or omission; or
 - (ii) MLSB may elect to take such action in law as may be necessary to compel PKSB by way of specific performance to perform its obligations.

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Laurel Cap

Trust | Integrity | Expertise

VALUATION CERTIFICATE

Date : August 24th, 2023
Our Ref : LC/VAL/23/015384/KA-CV

PRIVATE & CONFIDENTIAL

Board of Directors
Melati Ehsan Holdings Berhad
No 5, Jalan Titiwangsa
53200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur

Laurelcap Sdn. Bhd.

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Dear Sirs,

VALUATION CERTIFICATE OF AN UN-SUBDIVIDED PARCEL OF COMMERCIAL DEVELOPMENT LAND APPROVED WITH A PLOT RATIO OF 8.68 FOR THE DEVELOPMENT OF 3 BLOCKS OF 34 STOREY BUILDINGS WITH A NET SALEABLE AREA OF 111,200 SQUARE METRES (1,196,956.80 SQUARE FEET) VIA AN AMENDED AND APPROVED DEVELOPMENT ORDER (“DO”) BEARING PRESENTATION NO. (30)DLM.DBKL.JPRB.6449/91/3/1 DATED JUNE 22ND, 2020, IDENTIFIED AS PLOT 9 MEASURING APPROXIMATELY 4.008 ACRES FORMING PART OF MASTER TITLE NO. HS(D) 119301, LOT NO. PT 26689, TEMPAT OF TAMAN PUTRA JINJANG UTARA, MUKIM OF BATU, DISTRICT OF KUALA LUMPUR, STATE OF WILAYAH PERSEKUTUAN KUALA LUMPUR WITHIN A MIXED COMMERCIAL DEVELOPMENT KNOWN AS “KIARA BAY”, KEPONG (“SUBJECT PROPERTY”)

We refer to the instructions by **MELATI EHSAN HOLDINGS BERHAD (“MEHB”) or the “Company”** to advise on the current **Market Value (“MV”)** of the abovementioned property (**“Subject Property”**) for the purpose of submission to Bursa Malaysia Securities Berhad (“Bursa Securities”) as well as for the inclusion in the circular to shareholders in respect to the Proposed Acquisition of the Subject Property by Pembinaan Kery Sdn Bhd (“PKSB”), a wholly owned subsidiary of MEHB from Mega Legacy (M) Sdn Bhd, an indirect subsidiary of UEM Sunrise Berhad.

The Subject Property was inspected on August 24th, 2023. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. August 24th, 2023.

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

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

The Valuation Certificate should be read in conjunction with the full Report (Ref No: LC/VAL/23/015384/KA) prepared by Laurelcap Sdn Bhd for submission to Bursa Securities which detailed the basis under which the valuations have been prepared.



IDENTIFICATION OF THE PROPERTY	
Name and Address:	Plot 9 measuring approximately 4.008 acres located along Jalan Benteng Utara, forming part of Master Title No. HS(D) 119301, Lot No. PT 26689, Tempat of Taman Putra Jinjang Utara, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur within a mixed commercial development known as “Kiara Bay”, Kepong
Type of Property:	Un-subdivided parcel of commercial development land approved with a plot ratio of 8.68 for the development of 3 blocks of 34 storey buildings with a net saleable area of 111,200 square metres (1,196,956.80 square feet) via an amended and approved Development Order (“DO”) bearing Ref No. (30)d/m.DBKL.JPRB.6449/91/3/1 dated June 22 nd , 2020
Date of Inspection:	August 24 th , 2023
Date of Valuation:	For the purpose of this valuation exercise, the material date of valuation is the date of inspection, i.e. August 24 th , 2023
Registered Owner:	The registered owner of the Subject Property is Mega Legacy (M) Sdn. Bhd.
Title Particulars:	Master Title No. Hakmilik Sementara Daftar 119301, Tempat of Putra Jinjang Utara, Mukim of Batu, District of Kuala Lumpur, Wilayah Persekutuan
Tenure:	Leasehold for 99 years. Term expiring on December 29 th , 2112. Leaving an unexpired term of approximately 89 years as at the date of valuation.
Category of Land Use:	“Bangunan”
Express Condition:	“Tanah ini hendaklah digunakan untuk tujuan tapak perdagangan (kedai/pejabat) Sahaja.”
Restriction in Interest:	Nil
Total Master Land Area :	43,225.00 square metres (10.6812 acres/465,273.90 square feet) *Note : Based on the master layout plan provided to us, the Subject Property (Plot 9) measures approximately 16,218.00 sq.m (4.008 acres) which only forms part of the master titled land area and not the entire land. Hence, for the purpose of this valuation, we have adopted 16,218.00 sq.m (4.008 acres) in arriving at the Market Value of the Subject Property.
Current Usage	The land is zoned for commercial use with Plot Ratio 1 : 8.68
Location:	The Subject Property is situated along the Jalan Benteng Utara off the west bound Middle Ring Road 2 (MRR2), within an integrated mixed use development known as, Kiara Bay, Kepong. The Subject site is situated approximately 15.00 kilometres north west of Kuala Lumpur City Centre and 22.00 kilometres north east of Petaling Jaya new town respectively. The Subject Property is approachable from Kuala Lumpur City Centre via Jalan Pinang, Jalan Perak, P. Ramlee, Jalan Sultan Ismail leading onto Jalan Kuching, thereonto west bound towards the Middle Ring Road 2 (MRR2), exiting onto Persiaran Putra Bayu, Jalan 2/16D and finally onto Jalan Benteng Utara to where the land is located.

<p>Description of the Properties:</p>	<p>The Subject Property (Plot 9) encompasses a provisional land area of approximately 16,218.00 sq.m (4.008 acres) as according to the amended approved DO letter vide Presentation No. (30)d/m.DBKL.JPRB.6449/91/3/1 dated June 22nd, 2020. According to the approved precomputation plan vide Reference No. JU/18/WP/683/L18 dated June 5th, 2020, the land is a trapezoidal shaped parcel of land with provisional land area of about 16,218.00 sq.m (4.008 acres). The land is generally flat and is levelled with the frontage road of Jalan Benteng Utara. The land is currently demarcated with corrugated metal fencing.</p>
<p>Proposed Development:</p>	<p>The Subject Property has been approved with a plot ratio of 8.68 for the development of 3 blocks of 34 storey buildings with a net saleable area of 111,200.00 square metres (1,196,956.80 square feet). Below is the master layout architectural perspective of Kiara Bay.</p> <div data-bbox="459 779 1476 1328" data-label="Image"> </div> <p style="text-align: center;">Master Layout Architectural Perspective</p> <p>We were provided with the feasibility study of the project on the Subject Property dated May 20th, 2021. With that said, we have extracted certain information from the feasibility study in the Income Approach by way of “Residual Method” when deriving the Market Value of the Subject Property.</p>
<p>Planning Details:</p>	<p>Verbal enquiries with the planning department of DBKL and the approved letters by DBKL revealed that the lands are located within an area zoned for commercial use with a plot ratio of 1:8.68.</p>



METHOD OF VALUATION

In arriving at the Market Value of the Subject Property, we have adopted the **Comparison Approach** and **Income Approach by way of “Residual Method”**. A summary of approaches used are as follows:-

COMPARISON APPROACH

We have adopted the Comparison Approach in valuing the Subject Property. This method involves comparing the Subject Property with recently transacted properties of a similar nature or offers for sale/rental of similar properties in the area. Adjustments are then made for differences in location, size and shape of the lot, size, condition and design of the building, site facilities available, market conditions and other factors in order to arrive at a common basis for comparison.

The Subject Property is within Kiara Bay where the trend of development is gearing towards commercial development with higher density and plot ratio. This is evidenced by a number of high-rise developments on commercial lands under construction such as AVA Residence @ Kiara Bay.

Recent transactions of development lands and lands with commercial potential within the neighbourhood which are pertinent to substantiate a Market Value indication for the subject are reviewed and these sales are shown below.

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Type	A parcel of commercial development land	Seven (7) contiguous plots of vacant commercial development land	Industrial land with commercial development potential
Remarks	The land is presently being developed as a high-rise development known as M Luna by Mah Sing.	The seven (7) plots of lands are presently undeveloped vacant commercial lands	The transacted price is based on potential for mixed use redevelopment basis ignoring the values attributed to the buildings erected on the sites. During our inspection, a high-rise development known as M Astra was under construction on the site.
Address	Lot PT 26888, Along Middle Ring Road 2 (MRR2), Taman Metropolitan, Kepong, Wilayah Persekutuan Kuala Lumpur	Lot Nos. 70296 to 70302, Jalan PJU 10/1A, Damansara Damai, Petaling Jaya, Selangor Darul Ehsan	Lot 27, Jalan Usahawan 5, Kawasan Perindustrian Ringan, Setapak, Wilayah Persekutuan Kuala Lumpur
Title Particulars	HS(D) Pajakan 120077, Lot PT 26888, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur	PN 22361 (Lot 70296), PN 22362 (Lot 70297), PN 22363 (Lot 70298), PN 22364 (Lot 70299), PN 22365 (Lot 70300), PN 22366 (Lot 70301) & PN 22367 (Lot 70302), Mukim of Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan	H.S.(M) 2144, NO. PT 6332, Tempat Jalan Genting Kelang, Mukim of Setapak, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Transaction Date	July 23 rd , 2019 *Note: We have noted that the comparable transaction used is more than two (2) years. As there is a scarcity of comparable lands within the vicinity to form a meaningful comparison, we have then adopted comparable transactions which are more than two (2) years.	January 18 th , 2021	May 4 th , 2021
Vendor	JL99 Holdings Sdn Bhd	Radiant Nature Sdn Bhd	Teratai Constructors Sdn Bhd
Purchaser	Vienna Home Sdn Bhd	Ecofirst Horizon Sdn Bhd	Nova Century Development Sdn Bhd
Tenure	Leasehold for 99 years. Term expiring on April 4 th , 2115. Leaving an unexpired term of approximately 96 years as at the date of transaction.	Leasehold for 99 years. Term expiring on March 5 th , 2103. Leaving an unexpired term of approximately 82 years as at the date of transaction.	Leasehold for 99 years. Term expiring on August 26 th , 2097. Leaving an unexpired term of approximately 76 years as at the date of transaction.
Land Area	22,136.10 square metres (238,100.86 square feet/5.466 acres)	16,824.00 square metres (181,093.54 square feet/4.157 acres)	20,333.00 square metres (217,788.01 square feet/5.000 acres)
Type of Title (Individual / Strata)	Individual	Individual	Individual
Consideration	RM 94,764,144.00	RM 70,000,000.00	RM 89,000,000.00
Price Psf	RM 398.00/square feet	RM 386.54/square feet	RM 408.65/square feet
Adjustments	General adjustments are made for time and various factors inclusive of size, accessibility, tenure, zoning, title usage, density, availability of development order, owner's remuneration and negative factors		
Adjusted Price Psf	RM 563.01/square feet	RM 696.06/square feet	RM 653.50/square feet

In determining the Market Value of the Subject Property, we have analyzed all of the comparables transacted within a 20.00-kilometres radius from the Subject Property. The transaction prices are currently gyrating between RM 398.00 psf to RM 408.65 psf mark. Further adjustments were made to reflect the difference for other factors as stated above, to arrive at a final adjusted price of RM 563.01 psf to RM 696.06 psf. The total adjustments between the comparable ranges from 28.60% to 71.50%.

Taking into consideration of the differences of the Subject Property and the comparables, we have adopted Comparable 1 as the best comparable albeit it being the oldest transaction due to the following factors:-

- 1) Comparable 1 is located closest to the Subject Property, i.e. Jinjang Utara off the west bound Middle Ring Road 2 (MRR2);
- 2) Comparable 1 share similar tenure as the Subject Property, i.e. leasehold tenure;
- 3) Comparable 1 has a minor difference in plot ratio (i.e. 1 : 7.67), as compared to the Subject Property (i.e 1 : 8.68);
- 4) Least adjustments made for Comparable 1 is the least, i.e. 28.60%.



With Comparable 1 as the best comparable, we have adopted the rate of RM 560.00 psf or RM 97,759,509.12 as the basis of Market Value for the parcel of unsubdivided parcel of commercial land before deducting the remaining development charge of RM 10,798,884.00 and the time required to remove/relocate the workers' quarters. We have adopted the development charges from letter vide Reference No. (113)d/m.DBKL.JPRB.6449/91/3 for the total development charge to be paid at RM 198,009,000.00 for 10 plots of land from Lot PT 26684 to Lot PT 26693 measuring approximately 72.67 acres (294,370.60 sq. m. / 3,168,605.14 sq.ft.). Hence, we have proportioned the payment to a price per square feet and multiplied the land area of the Subject Property. We also noted that a payment of RM 1,000,000.00 was made for above 10 plots. We were further informed that an additional RM 1,000,000.00 was paid in 2022. Hence, we have proportioned the payment to a price per square feet and multiplied the land area of the Subject Property to arrive at the remaining payment of RM 10,798,884.00. After deducting the outstanding amount for the development charges and discounted the time required to remove/relocate the workers' quarters, we have arrived at a Market Value of **RM 85,000,000.00** or about **RM 486.91 psf**.

INCOME APPROACH (BY WAY OF "RESIDUAL METHOD")

This method entails the determining of the total Gross Development Value (GDV) and deducting from this the costs of construction and site works, professional fees, interest on capital borrowed, contingencies and developer's risk and profit. The residual is the value of the site and this is deferred for the period of development to arrive at the current market value of the site today.

GROSS DEVELOPMENT VALUE (GDV)

The GDV represents the Market Value of the proposed development, assessed on the special assumption that the development is complete on the date of valuation in the market conditions prevailing on that date. The GDV calculation is based on our transaction compilation from the Jabatan Penilaian Dan Perkhidmatan Harta (JPPH) of similar properties within the surrounding area as comparables. Recent comparable transactions of serviced apartments within the neighbourhood which bears similar characteristics as the proposed development project in order for us to analysed, and to produce a meaningful outcome. In arriving at the GDV of the proposed development, we have taken into consideration similar development projects within the nearest vicinity which are pertinent to substantiate a Market Value indication for the subject are reviewed and these development projects are shown below.

Service Apartment Units

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Address	No. C-11-07, Fortune Centra, Jalan Metro Perdana Timur 6, Taman Usahawan, Kuala Lumpur	No. D-15-08, Lake Ville Residence, Jalan Sibu, Kuala Lumpur	No. 36-09, No. 20, Jalan 7A/62A, East Parc @ Menjalara, Kuala Lumpur
Type	Service Apartment	Service Apartment	Service Apartment
Tenure	Leasehold	Leasehold	Leasehold
Transaction Date	May 17 th , 2021	January 3 rd , 2022	January 16 th , 2023
Built-up Area	77.00 square metres (828.82 square feet)	121.00 square metres (1,302.43 square feet)	140.00 square metres (1,506.95 square feet)
Consideration	RM 670,000.00	RM 1,078,550.00	RM 1,183,900.00
Price PSF	RM 808.38 psf	RM 828.11 psf	RM 785.63 psf
Adjustments	Adjustments have been made for time, location, accessibility, tenure, accessibility, size, negative factor and developer's sales.		
Adjusted Price PSF	RM 810.60 psf	RM 742.71 psf	RM 696.07 psf



Residual Method

<p>Gross Development Value (GDV)</p> <p>(Serviced Apartment)</p> <p>Average Built Up Area Per Unit :</p> <p>SA Type A : 60 units</p> <p>SA Type B : 450 units</p> <p>SA Type C : 450 units</p> <p>SA Type D : 200 units</p> <p>Total : 1,160 units</p>	<p>We have derived the total GDV after deducting the bumi-discount of RM 880,813,642.50. The GDV calculation is based on our market compilation of transacted prices of serviced residence within the surrounding area as comparables. From our compilation, adjustments are then made for differences in location, size, tenure and market conditions to arrive at the proposed selling price of the serviced apartments. From our analysis, we have concluded that the best comparable is the "Fortune Centra" as it has the least overall gross adjustments made</p> <p>The only major difference is the accessibility in which the Subject Property is adjacent to an electrical pylon, whereas the "Fortune Centra" development project is not. Hence, the proposed selling price of RM 810.00psf is fair taking into consideration that the transacted price of "Fortune Centra" is RM 808.38 psf, which translate to about 0.2% below the proposed selling price.</p>
<p>Gross Development Cost (GDC)</p>	<p>The total estimated GDC for the whole project amounts to RM 489,038,628.08 which is about 55.52% of the total net GDV.</p> <p>We have made reference to the JUBM And Arcadis Construction Handbook Malaysia 2022 and also engaged Basar & Harun Sdn, a registered Quantity Surveying firm and obtained their opinion in our adoption of the GDC. The breakdown of the GDC is as below:</p>
<p>1. Preliminary Expenses</p>	<p>The total preliminary expenses is about RM 15,280,325.59 which is analysed to 4.39% of the total Construction Cost. This includes the land survey fees, authorities submission processing fees, mobilization and preliminary setting, premium payment for variation in category of land use and provisions to setup a sale gallery and show unit to facilitate the sale of the development.</p>
<p>2. External & Common Infrastructure Works</p>	<p>The total external & common infrastructure works is about RM 9,215,935.70 which is analysed to 2.65% of the total Construction Cost. This includes the site clearing & minor earthwork, shoring/sheet pile, incoming water mains, sewerage/water reticulation, drainage works, telephone infrastructure, street lighting, TNB Sub-station, provisions for landscaping and provision for guardhouse and entrance statement. For easy reference, below are the breakdown of the construction cost with their respective references:</p> <ul style="list-style-type: none"> a) Site clearing & earthwork adopted at RM 300,000.00/acre which is at par with opinion of construction cost by Basar & Harun at RM 249,000.00/acre – RM 331,000.00/acre. b) The costs of the common infrastructure work which includes the incoming water mains, sewerage/water reticulation and drainage works, telephone infrastructure and street lightings adopted at a total of RM 1,000,000.00/acre which is in line with Basar & Harun at RM 800,000.00/acre – 1,000,000.00/acre. c) We adopted RM 200,000.00 for the cost to build a TNB Sub-Station which is in line with the opinion letter issued by Basar & Harun at RM 150,000.00/unit – RM 250,000.00/unit. d) Provision for landscaping is at RM 800,000.00/acre which is in tandem with the opinion letter issued by Basar & Harun at RM 616,000.00/acre – RM 822,000.00/acre. e) A provision of RM 600,000.00 for guardhouse and entrance statement is provided for in our computation which is in tandem with the opinion letter by Basar & Harun at RM 400,000.00 – RM 600,000.00.



<p>3. Construction Cost Building Cost (Inclusive of Piling & M&E) Main Building Works</p>	<p>The total construction cost is about RM 347,872,383.00 which is analysed to 39.49% of the total GDV. This includes the construction costings for the serviced apartments, car park, piling works and provisions for the facilities area such as swimming pool, gymnasium, barbecue area and etc. For easy reference, below are the breakdown of the construction cost with their respective references:</p> <ol style="list-style-type: none"> For the serviced apartment, we have adopted a construction cost rate of RM 190.00 psf including of the M&E Services which is in tandem with the opinion letter by Basar & Harun at RM 180.00 psf – RM 200.00 psf. In addition, a cross check with Arcadis Construction Cost Handbook 2022 and the construction costing opinion revealed that the average construction cost for an average high-rise apartment excluding M&E services ranges from RM 124.02 psf to RM 248.05 psf respectively. We have adopted the cost for the facilities floor at RM 2,500,000.00 which is in line with the opinion letter by Basar & Harun of RM 2,000,000.00 – RM 3,000,000.00. For the car park, we have adopted a cost of RM 120.00 psf, which is in line with the opinion letter by Basar & Harun of RM 80.00 psf - 120.00psf. In addition, a cross reference with the Arcadis Construction Cost Handbook 2022 revealed that the average construction cost for car park ranges from RM 86.40 psf to RM 221.57 psf. The piling works is cost at RM 7.00 psf is at tandem with the opinion letter by Basar & Harun of RM 5.00 psf - 7.00 psf.
<p>4. Professional Fees & Insurance</p>	<p>The professional fees & insurance is about RM 21,782,387.44 which is analysed to 6.26% of the total Construction Cost.</p>
<p>5. Sales Marketing & Administration</p>	<p>The sales marketing and administration is about RM 36,684,713.28 which is analysed to 4.16% of the total GDV. This includes the Sales & Administration expenses, agency fees, legal fees and site management.</p>
<p>6. Authorities Contributions</p>	<p>The authorities contributions is about RM 15,765,454.96 which is analysed to 4.53% of the total Construction Cost which is close to the opinion cost letter by Basar & Harun Sdn of 3.00% to 5.00%. This includes the Improve Service Fund (ISF) for road and drainage, Indah Water Konsortium (IWK) contribution, TNB (3Phase) contribution and water contribution.</p>
<p>7. Land Expenses</p>	<p>The land expenses are about RM 2,972,500.00 which is analysed to 0.85% of the total Construction Cost. This includes the sub-division survey, plan fees and quit rent and assessment for the entire development period.</p>
<p>8. Interest – Bridging loan interest</p>	<p>The bridging loan interest is about RM 25,221,084.57 which is analysed to 7.25% of the total Construction Cost. We have adopted an interest cost of:-</p> <ol style="list-style-type: none"> 33.00% loan margin (Bridging Loan Financing) At an interest rate of 8.00% p.a At half of the development period of 4.25 years.
<p>9. Contingencies</p>	<p>The contingencies are about RM 14,243,843.54 which is analysed to 4.09% of the total Construction Cost. We have factored in a cost for contingencies of 3.00% of Preliminary Expenses, External & Common Infrastructure Works, Construction Cost, Professional Fees, Sales, Marketing & Administration Fees, Authorities Contribution, Land Expenses and Interest. The contingencies cost is to cater for unforeseen costs which might occur during development such as increase in construction cost, wrong budget forecast and etc.</p>
<p>10. Developer's Profit</p>	<p>30.00% of GDV</p> <p>We have adopted a developer's profit of 30% which we noted is higher than the market rate between 10-20% due to the unique nature of the Subject Property. We noted that developers of lands with higher density/plot ratio will obtain higher gross profits in return due to the risk and time required to develop and sell the project. The gross profits taken up by some developers ranges from 20.00% to 43.28%.</p>



<p>10. Developer's Profit</p>	<p>We have taken the view that the sale of the Subject Property being contingent upon the execution of the DRA, will reduce the development risk exposure to the property market because the developer does not have to acquire the land upfront, but to remunerate the land owner over a period of time. In hind sight, Mega Legacy (M) Sdn Bhd, a partnership between UEM Sunrise Berhad and Melati Ehsan Berhad, and the joint venture party in the DRA, are established developers with a premium brand and strong financial standing. As such, with the DRA in place, there will be a premium attached to land value of the Subject Property. Hence, for the purpose of this valuation exercise via the Residual Method, we have made a discount to the developer's profit in light of the secureness of the project and premium attached to value of the land.</p> <p>We have adopted a developer's profit at 30.00% of the GDV in our computation. We are of the opinion that the rate is fair after taking into consideration the risk involved in developing a high density mixed development in this economic climate, as well as the complexity in developing a high-rise development within a high traffic and confined neighbourhood.</p>
<p>11. Present Value</p>	<p>10.00% per annum for 4.25 years</p> <p>The Kiara Bay development spans approximately 72.74 acres and includes 15 plots designated for commercial development. If all 15 of these commercial plots were developed simultaneously, it would considerably extend the construction timeline, resulting in a longer project duration and a greater number of units to be marketed. However, we envisage that the current plan of the landowner is to exclusively focus on developing and selling the Subject Property prior to commencing development on the other plots. Consequently, we anticipate that the development timeline will remain unaffected by the overall size of the Kiara Bay development. We have adopted a development period of 4.25 years (51 months) for the entire development to complete and fully sold out. In essence under Schedule H under the Housing Developer (Control And Licensing) Act, the minimum development period is 24 month (landed properties) and 36 months (strata properties) from the signing of the Sale & Purchase Agreement. We have adopted a period of 3.00 years (36 months) for the construction to complete, an additional 1.00 years (12 months) for the project to fully sell out and 0.25 years (3 months) for the removal/relocation of the workers' quarters.</p> <p>Taking into consideration that bridging loan finance cost is presently in between the range of 8.00% to 9.00%, we have adopted a present value rate of 10.00% as a reflection of commercial risk in the property development business as a whole.</p>

RECONCILIATION OF VALUE

Method Of Valuation	Derivation Of Values
Comparison Approach	RM 85,000,000.00
Income Approach By Way of "Residual Method"	RM 85,000,000.00

From the above approaches, we have concluded that the best approach in arriving at the Market Value of the Subject Property is the **Income Approach by way of "Residual Method"**. This approach is the most suitable in this instance, mainly due to planning approval awarded via the development order. This would enhance the accuracy of the valuation, as the development contents together with the unit numbers, sizes as well as conditions imposed on the proposed development has been clearly spelled out, as well as the part of the construction cost has been finalised



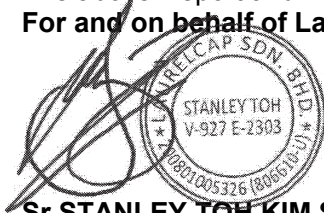
On hind sight, the **Comparison Approach** is suitable to serve as a secondary approach (cross check) in this instance because there is dearth of comparables with similar location, plot ratio, development type and conditions as the Subject Property in order to arrive at a meaningful conclusion of the Market Value. The Subject Property, with the relevant approvals awarded has become unique in nature, and hence adjustments made to the comparables to mimic the Subject Property would be difficult and arbitrary. Therefore, we have adopted the **Income Approach by way of the “Residual Method”** as the primary approach in determining the Market Value of the Subject Property.

As such, we have adopted the value derived using the **Income Approach by way of “Residual Method”**.

Having taken into consideration all the relevant and pertinent factors, we are of the considered opinion that the Market Value of the leasehold interest with an unexpired term of approximately 89 years in an unsubdivided parcel of commercial development land approved with a plot ratio of 8.68 for the development of 3 blocks of 34 storey buildings with a net saleable area of 111,200 square metres (1,196,956.80 square feet) via an amended and approved Development Order (“DO”) bearing Ref No. (30)d/m.DBKL.JPRB.6449/91/3/1 dated June 22nd, 2020, identified as Plot 9 measuring approximately 4.008 acres forming part of Master Title No. HS(D) 119301, Lot No. PT 26689, Tempat of Taman Putra Jinjang Utara, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur within a mixed commercial development known as “Kiara Bay”, Kepong, in its existing physical condition with legal possession and subject to its title being free from encumbrances, good, marketable and registrable as of **August 24th, 2023** based on the **TERMS OF REFERENCE** as stated herein are as follows:-

Market Value : RM 85,000,000.00 (Ringgit Malaysia : Eighty Five Million Only)

The above Report and Valuation has been carried out by Sr Stanley Toh Kim Seng,
For and on behalf of Laurelcap Sdn. Bhd.



Sr STANLEY TOH KIM SENG
BSc (Hons) Estate Management,
MRISM, MRICS, MPEPS, MMIPFM, ICVS, MBVAM
Registered Valuer (V-927)

Note : This Report was peer reviewed by Mr Tan San Yew (Peer Reviewer)(V-607) from Laurelcap (HQ) Sdn Bhd

APPENDIX IV – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENTS AND CONFLICT OF INTERESTS

2.1 M&A Securities

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

M&A Securities is not aware of any situation which would likely to give rise to a possible conflict of interest in relation to their role as the Principal Adviser.

2.2 Eco Asia

Eco Asia, being the Independent Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Independent Advice Letter set out in Part B of this Circular and all references in the form and context in which they appear in this Circular.

Eco Asia is not aware of any situation which would likely to give rise to a possible conflict of interest in relation to their role as the Independent Adviser.

2.3 Laurelcap

Laurelcap, being the independent valuer of the Acquisition Land for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references in the form and context in which they appear in this Circular.

Laurelcap is not aware of any situation which would likely to give rise to a possible conflict of interest in relation to their role as the independent valuer.

3. MATERIAL COMMITMENTS

As at LPD, save for the Proposals, the Board is not aware of any material commitments contracted or known to be contracted by MEHB Group, which may have an impact on MEHB Group's financial position upon becoming enforceable.

APPENDIX IV – FURTHER INFORMATION (cont'd)

4. CONTINGENT LIABILITIES

Save as disclosed below, as at LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by MEHB Group, which upon becoming enforceable, may have a material impact on the Group's financial position:

	RM'000
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries of MEHB	205,445
Corporate guarantees given to third parties for performance in the construction agreement granted to a subsidiary of MEHB	19,481
Corporate guarantees given to suppliers for credit facilities granted to a subsidiary of MEHB	5,000
Total	229,926

5. MATERIAL CONTRACTS

As at LPD, save as disclosed below, MEHB Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding LPD:

- (a) the SPA;
- (b) the DRA; and
- (c) share sale agreement dated 11 April 2023 entered into between MEHB (as vendor) and B.H.O Sdn Bhd (as purchaser) for the disposal of its entire investment of 2,450,000 ordinary shares, representing 49% of the total issued share capital in B.H.O Melati Sdn Bhd for a cash consideration of RM15,759,710 and repayment of shareholders' loan and return of capital of RM9,240,290, which was completed on 27 April 2023.

6. MATERIAL LITIGATIONS

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

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7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at No. 5, Jalan Titiwangsa, 53200 Kuala Lumpur, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to the date of EGM:

- (a) Constitution of the Company;
- (b) the material contracts referred to in Section 5 above;
- (c) the valuation report and valuation certificates dated 24 August 2023 issued by Laurelcap in relation to the Acquisition Land;
- (d) audited consolidated financial statements of MEHB for FYE 31 August 2021 and 31 August 2022 and the unaudited quarterly results for the financial period ended 31 August 2023; and
- (e) letters of consent and declaration of conflict of interests referred to in Section 2 above.

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Be with ME

MELATI EHSAN HOLDINGS BERHAD

(Registration No. 200401034784 (673293-X))

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Melati Ehsan Holdings Berhad ("**MEHB**" or "**Company**") will be held and conducted via an online portal from the broadcast venue at Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor on Thursday, 28 December 2023 at 10.00 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, to pass the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF A PLOT OF UNSUBDIVIDED COMMERCIAL DEVELOPMENT LAND IDENTIFIED AS PLOT 9 MEASURING APPROXIMATELY 4.008 ACRES FORMING PART OF A MASTER TITLE NO. HS(D) 119301, LOT NO. PT 26689, TEMPAT OF TAMAN PUTRA JINJANG UTARA, MUKIM OF BATU, DISTRICT OF KUALA LUMPUR, STATE OF WILAYAH PERSEKUTUAN KUALA LUMPUR ("ACQUISITION LAND") BY PEMBINAAN KERY SDN BHD ("PKSB"), A WHOLLY-OWNED SUBSIDIARY OF MELATI EHSAN HOLDINGS BERHAD FROM MEGA LEGACY (M) SDN BHD ("MLSB"), AN INDIRECT SUBSIDIARY OF UEM SUNRISE BERHAD FOR A CASH CONSIDERATION OF RM85.0 MILLION ("PURCHASE CONSIDERATION")("PROPOSED ACQUISITION")

"THAT, subject to the approval of Ordinary Resolution 2 and all relevant approvals being obtained from the relevant authorities, approval be and is hereby given to PKSB to acquire the Acquisition Land, for a total cash consideration of RM85,000,000, pursuant to the terms and conditions as stated in the conditional sale and purchase agreement dated 11 September 2023 entered into between PKSB and MLSB in respect of the Proposed Acquisition;

AND THAT, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Acquisition, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Acquisition."

ORDINARY RESOLUTION 2

PROPOSED JOINT DEVELOPMENT BETWEEN PKSB AND MLSB TO UNDERTAKE THE DEVELOPMENT OF THE ACQUISITION LAND IN RETURN FOR A DEVELOPMENT RIGHTS VALUE OF RM93,500,000 OR THE AGGREGATE OF THE PURCHASE CONSIDERATION PLUS ENTITLEMENT OF 20.0% OF THE PROFIT FROM THE PROJECT, WHICHEVER IS HIGHER ("DEVELOPMENT RIGHTS VALUE") TO BE UNDERTAKEN ON THE ACQUISITION LAND ("PROPOSED JOINT DEVELOPMENT")

"THAT, subject to approval of Ordinary Resolution 1 and all relevant approvals being obtained from the relevant authorities, approval be and is hereby given to PKSB to jointly undertake with MLSB, the development of the Acquisition Land, in which PKSB grants MLSB the sole and exclusive rights to develop the Acquisition Land and to sell the units developed, in return for the Development Rights Value, pursuant to the development rights agreement dated 11 September 2023 entered into between PKSB and MLSB in respect of the Proposed Joint Development;

AND THAT, approval be and is hereby given to the Board to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Joint Development, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Joint Development.

**BY ORDER OF THE BOARD
MELATI EHSAN HOLDINGS BERHAD**

CHAN CHEE YEAN (MAICSA 7029178) (SSM PC No. 201908001286)

WONG YOUN KIM (MAICSA 7018778) (SSM PC No. 201908000410)

Company Secretaries

Kuala Lumpur
8 December 2023

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
- (2) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.
- (4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (5) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at No. 5, Jalan Titiwangsa, 53200 Kuala Lumpur not less than 24 hours before the time appointed for taking of the poll or any adjournment thereof.
- (6) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 22 December 2023 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.



Be with ME

MELATI EHSAN HOLDINGS BERHAD

(Registration No. 200401034784 (673293-X))

(Incorporated in Malaysia)

FORM OF PROXY FOR EXTRAORDINARY GENERAL MEETING

I/We*,NRIC/Company No*
(Full name in block letters)

of
(Full address)

being a member(s) of Melati Ehsan Holdings Berhad hereby appoint

.....of
(Full name in block letters) (Full address)

or failing whom,of
(Full name in block letters)

.....
(Full address)

or failing him/her*, the Chairman of the Meeting as my/our* proxy to attend and vote for me/us* on my/our* behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be conducted via an online portal from the broadcast venue at Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, on Thursday, 28 December 2023 at 10.00 a.m., or at any adjournment thereof in the manner indicated below:

	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Proposed Acquisition		
Ordinary Resolution 2	Proposed Joint Development		

Please indicate with an "X" in the space provided how you wish your vote to be cast. If no specific instruction is given on the voting, the proxy/proxies* will vote or abstain from voting on the resolution at his/her* discretion.

Dated this _____ day of _____ 2023

No. of Shares held	
CDS Account No.	

Signature

* To delete where applicable

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
- (2) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.
- (4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (5) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at No. 5, Jalan Titiwangsa, 53200 Kuala Lumpur not less than 24 hours before the time appointed for taking of the poll or any adjournment thereof.
- (6) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 22 December 2023 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries

MELATI EHSAN HOLDINGS BERHAD
(REGISTRATION NO. 200401034784 (673293-X))

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