

LIM SEONG HAI CAPITAL BERHAD (“LSH CAPITAL” OR THE “COMPANY”)

- PROPOSED ACQUISITION OF ASSB
- PROPOSED ASSETS EXCHANGE
- PROPOSED SETTLEMENT CUM SUBSCRIPTION
- PROPOSED DIVERSIFICATION

(COLLECTIVELY, THE “PROPOSALS”)

(Unless otherwise stated, all definitions and terms used in this announcement shall have the same meaning as defined in the Company’s announcements dated 28 March 2022, 25 May 2022 and 29 November 2022).

1. INTRODUCTION

1.1 On 28 March 2022, Astramina Advisory had, on behalf of the Board, announced that the Company had, on even date entered into the following transactions:-

- (a) a conditional share sale agreement (“**SSA**”) with Lim Seong Hai Resources Sdn. Bhd. (“**LSH Resources**”), Datuk Lim Keng Guan (“**Datuk KG**”), Lim Pak Lian, Lim Keng Hun and Lim Ding Shyong (collectively, the “**Vendors of ASSB**”) for the acquisition by the Company of 3,750,000 ordinary shares in Astana Setia Sdn. Bhd. (“**ASSB**”) (“**ASSB Shares**”), representing 100% of the equity interest in ASSB from the Vendors of ASSB for a purchase consideration of RM95,000,000.00 (“**Purchase Consideration of ASSB**”) to be satisfied via the issuance of 211,111,111 new ordinary shares in the Company (“**LSH Capital Shares**”) at an issue price of RM0.45 each (“**Consideration Shares of ASSB**”) (“**Proposed Acquisition of ASSB**”).
- (b) a conditional assets exchange agreement (“**AEA**”) with Lim Seong Hai Ventures Sdn. Bhd. (“**LSH Ventures**”) (“**Vendor of Assets**”) to rationalise and exchange of Property 1, Property 2, Property 3 and Land for a total consideration of RM8,140,000 (“**Total Exchange Consideration of Assets**”) which are to be satisfied by via the issuance of 18,088,888 new LSH Capital Shares at an issue price of RM0.45 each (“**Consideration Shares of Assets**”) (“**Proposed Assets Exchange**”).
- (c) a conditional debt settlement cum share subscription agreement (“**DSCSSA**”) with LSH Ventures, Lim Pak Lian, Lim Keng Hun, Lim Ding Shyong and Datuk KG (Lim Pak Lian, Lim Keng Hun, Lim Ding Shyong and Datuk KG are collectively referred to as the “**Directors of LSH Ventures**”) and LSH Resources for the proposed settlement by the Company of the amount owing by LSH Ventures to the Directors of LSH Ventures amounting to RM54,501,712.32 (“**Settlement Consideration**”) to be satisfied via the issuance of 121,114,916 new LSH Capital Shares at an issue price of RM0.45 each (“**Proposed Settlement**”) and the proposed subscription of 9,900,000 new ordinary shares in LSH Ventures (“**Subscription Shares**”) by LSH Capital, representing 99% of the enlarged equity interest in LSH Ventures by way of partial capitalisation of the amount owing by LSH Ventures to the Company amounting to RM15,758,621.10 arising from the Proposed Settlement (“**Proposed Subscription**”).

*(Proposed Settlement and Proposed Subscription are collectively referred to as the “**Proposed Settlement cum Subscription**”)*

- (d) The Company proposes to diversify the principal activities of the Company and its subsidiaries (“**LSH Capital Group**” or “**Group**”) to include property development and construction activities (“**Property and Construction Related Businesses**”) (“**Proposed Diversification**”).

*(Proposed Acquisition of ASSB, Proposed Assets Exchange, Proposed Settlement cum Subscription and Proposed Diversification are collectively referred to as the “**Proposals**”)*

1.2 On 25 May 2022, Astramina Advisory had, on behalf of the Board, announced that the Company had receive letters dated 24 May 2022 from the Directors of LSH Ventures and Lim Ding Shyong respectively to notify that as part of the Proposals, the promoters of LSH Capital, being Tan Sri KC Lim, Datuk KG, Lim Pak Lian, Lim Keng Hun and LSH Resources (collectively, the “**Promoters**”) intend to initiate the proposed shares reward scheme to motivate and reward the relevant parties based on the policies to be set by the Company (“**LSH Shares Reward Scheme**”).

1.3 On 9 September 2022, the Company has obtained its shareholders' approval for the diversification of the existing principal activities of LSH Capital Group to include the business of construction and provision of construction related services & solution ("**Construction Related Businesses**").

1.4 On 29 November 2022, Astramina Advisory, on behalf of the board announced the following:-

- (a) the parties to the SSA had by way of written confirmation mutually agreed to extend the conditional period of the SSA for the Proposed Acquisition of ASSB for a period of 6 months from 28 December 2022 to 28 June 2023 for the respective parties to obtain/fulfill or waive (as the case may be) the conditions precedent as set out in the SSA. Save for the above, all the terms and provisions of the SSA shall remain in full force, continue to take effect and be binding on the parties to the SSA.
- (b) the parties to the AEA had by way of written confirmation mutually agreed to cease any further negotiations on the AEA for the Proposed Assets Exchange and each party to the AEA will be released from any obligations or liabilities to each other under the AEA with effect from 29 November 2022. Pursuant thereof, the Proposed Assets Exchange had been aborted.
- (c) the parties to the DSCSSA had by way of written confirmation expressly agreed that the cessation of further negotiations of the AEA will not affect the performance of the respective obligations of the parties to the DSCSSA under the DSCSSA and extend the conditional period of the DSCSSA for a period of 12 months from 28 December 2022 to 28 December 2023 as the parties to the DSCSSA envisage that a longer time period is required to fulfill all the conditions precedent as set out in the DSCSSA for the Proposed Settlement cum Subscription. Save for the above, all the terms and provisions of the DSCSSA shall remain in full force, continue to take effect and be binding on the parties to the DSCSSA.

1.5 On behalf of the Board, Astramina Advisory wishes to announce that the Company had on 20 February 2023 entered into an amended and restated debt settlement and share subscription agreement with the Directors of LSH Ventures, Vendors of LSH Ventures, LSH Ventures and LSH Resources to vary, amend, modify or alter certain provisions, terms and conditions of the DSCSSA ("**Amended and Restated DSCSSA**") which forms part of the revised proposals as follows:-

- (a) Proposed acquisition of 100,000 ordinary shares in LSH Ventures ("**LSH Ventures Shares**") by the Company, representing 100% equity interest in LSH Ventures from Lim Pak Lian, Lim Keng Hun and Lim Ding Shyong (who are collectively referred to as the "**Vendors of LSH Ventures**") for a purchase consideration of RM25,699,067 ("**Purchase Consideration of LSH Ventures**") to be satisfied through the issuance of 57,109,037 new ordinary shares in the Company ("**Consideration Shares of LSH Ventures**") at an issue price of RM0.45 per Consideration Share of LSH Ventures ("**Proposed Acquisition of LSH Ventures**"); and
- (b) to revise the Settlement Consideration for the Proposed Settlement by the Company of the amount owing by LSH Ventures to the Directors of LSH Ventures to the principal sum of RM36,942,645 only to be satisfied through the issuance of 82,094,767 new ordinary shares in the Company ("**Settlement Shares**") at an issue price of RM0.45 per Settlement Share ("**Proposed Debt Settlement**").

*(Proposed Acquisition of LSH Ventures and Proposed Debt Settlement are collectively referred to as the "**Proposed Acquisition of LSH Ventures and Debt Settlement**")*

The details of the Proposed Acquisition of LSH Ventures and Debt Settlement are set out in ensuing sections of this announcement.

1.6 Upon due deliberations, in view of the complementary nature of the construction business and property development contributions which will also be one of the key avenues to increase the construction orderbooks for LSH Capital Group, the Company has deliberated and proposes to seek shareholders' approval to further diversify the existing principal activities of LSH Capital Group to include property development activities ("**Property Development Business**") ("**Proposed Diversification (Property Development)**") (rather than both property development and construction activities as stated in the previous announcement on 28 March 2022), notwithstanding that the estimated revenue and earnings contribution by the Property Development Business for the financial year ending 30 September 2023 is less than 25% of the net profits of the enlarged LSH Capital Group.

- 1.7 On behalf of the Board, Astramina Advisory wishes to announce that the Company and the rest of the parties to the SSA had on 20 February 2023, by way of written confirmation mutually agreed to the variation of the SSA, which include amongst others: -
- (i) the extension of the conditional period of the SSA for a period of 3 months from 28 June 2023 to 28 September 2023; and
 - (ii) the insertion of new condition precedent (i.e. the Company obtaining the approval of its shareholders for the Proposed Diversification (Property Development)).

*(Proposed Acquisition of ASSB, Proposed Acquisition of LSH Ventures and Debt Settlement and Proposed Diversification (Property Development) are collectively referred to as the “**Revised Proposals**”)*

- 1.8 The Company has agreed to settle all the Astramina Advisory’s Fees incurred by the Company for the Revised Proposals in cash.
- 1.9 The Company has on 20 February 2023 received a written confirmation from the Promoters to defer the implementation of the LSH Shares Reward Scheme as announced on 25 May 2022 and the said LSH Shares Reward Scheme shall not form part of the Revised Proposals.

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2. DETAILS OF THE PROPOSED ACQUISITION OF LSH VENTURES AND DEBT SETTLEMENT

2.1 Proposed Acquisition of LSH Ventures

The Proposed Acquisition of LSH Ventures entails the acquisition by the Company of the LSH Ventures Shares from the Vendors of LSH Ventures for the Purchase Consideration of LSH Ventures of RM25,699,067, which are to be satisfied via the issuance of 57,109,037 Consideration Shares of LSH Ventures at the issue price of RM0.45 per Consideration Share of LSH Ventures.

Pursuant to the terms of the Amended and Restated DSCSSA, the Vendors of LSH Ventures have agreed to sell the LSH Ventures Shares and the Company has agreed to purchase the LSH Ventures Shares free from all liens, charges and encumbrances and with full legal and beneficial title with all rights attaching thereto with effect from the Completion Date (as defined in Section 8 under **Appendix I** of this announcement).

The Purchase Consideration of LSH Ventures will be satisfied by the issuance of Consideration Shares of LSH Ventures in accordance with the shareholding proportion held by the Vendors of LSH Ventures, as illustrated in the following manner:

Vendors of LSH Ventures	Number of LSH Ventures Shares (No.)	% of Shareholding in LSH Ventures (%)	Purchase Consideration of LSH Ventures (RM)	Number of Consideration Shares of LSH Ventures (No.)
Lim Pak Lian	50,000	50.00%	12,849,534	⁽²⁾ 28,554,520
Lim Keng Hun	31,000	31.00%	7,966,711	⁽²⁾ 17,703,802
Lim Ding Shyong ⁽¹⁾	19,000	19.00%	4,882,822	⁽²⁾ 10,850,715
Total	100,000	100.00%	25,699,067	57,109,037

Notes: -

- (1) *Lim Ding Shyong is the son of Tan Sri KC Lim and the nephew of Datuk KG, Lim Pak Lian and Lim Keng Hun.*
- (2) *Pursuant to the Amended and Restated DSCSSA, all the 57,109,037 Consideration Shares of LSH Ventures shall issued and allotted directly to LSH Resources, as instructed by the Vendors of LSH Ventures.*
- (3) *LSH Resources is wholly owned by LSH Holdings, which in turn is owned by Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun at 25% equity interest each. Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun are siblings.*

Upon completion of the Proposed Acquisition of LSH Ventures, LSH Ventures will become a wholly-owned subsidiary of the Company.

The salient terms of the Amended and Restated DSCSSA are set out in **Appendix I** of this announcement.

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2.2 Proposed Debt Settlement

The Proposed Debt Settlement entails the settlement by the Company of the amount owing by LSH Ventures to the Directors of LSH Ventures amounting to RM36,942,645 (“**Directors Advances**”), by way of the issuance of 82,094,767 Settlement Shares at the issue price of RM0.45 per Settlement Share.

The Directors Advances were extended to LSH Ventures by the Directors of LSH Ventures in July 2018 for the main purpose of funding for the land premium payable and other expenses relating to the alienation of the Jalan Pinggiran Tasik Land back in August 2018.

The Directors Advances are interest-free loan with no fixed repayment schedule, and it represents the total amount owing by LSH Ventures to the Directors of LSH Ventures in the following proportion: -

Directors of LSH Ventures	Amount of Directors' Advances
Lim Pak Lian	RM 9,235,661.25
Lim Keng Hun	RM 9,235,661.25
Lim Ding Shyong	RM 9,235,661.25
Datuk KG	RM 9,235,661.25
Total	RM 36,942,645.00

The Proposed Debt Settlement is conditional upon the Proposed Acquisition of LSH Ventures.

Pursuant to the Amended and Restated DSCSSA, all 82,094,767 Settlement Shares shall issued and allotted directly to LSH Resources upon Completion (as defined in Section 8 under **Appendix I** of this announcement), as instructed by the Directors of LSH Ventures.

The salient terms of the Amended and Restated DSCSSA are set out in **Appendix I** of this announcement.

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2.3 Information on Vendors of LSH Ventures and Directors of LSH Ventures

The information on the Vendors of LSH Ventures and the Directors of LSH Ventures are as follows: -

(i) Lim Pak Lian

Lim Pak Lian is the major shareholder and director of LSH Ventures. She is also the substantial shareholder and Group Managing Director of the Company. She is the sister of Tan Sri KC Lim (being the Non-Executive Chairman of the Company), Datuk KG and Lim Keng Hun. She is also the auntie of Lim Ding Shyong.

(ii) Lim Keng Hun

Lim Keng Hun is the major shareholder and director of LSH Ventures. He is also the substantial shareholder and Managing Director (Machinery, Hardware and Tools Division) of the Company. He is the brother of Tan Sri KC Lim (being the Non-Executive Chairman of the Company), Datuk KG and Lim Pak Lian. He is also the uncle of Lim Ding Shyong.

(iii) Lim Ding Shyong

Lim Ding Shyong is the major shareholder and director of LSH Ventures. He is the son of Tan Sri KC Lim (being the Non-Executive Chairman of the Company) and the nephew of Datuk KG, Lim Pak Lian and Lim Keng Hun.

(iv) Datuk KG

Datuk KG is the director of LSH Ventures. He is also the substantial shareholder and Executive Vice Chairman of the Company. He is the brother of Tan Sri KC Lim (being the Non-Executive Chairman of the Company), Lim Pak Lian and Lim Keng Hun. He is also the uncle of Lim Ding Shyong.

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The shareholding of the Vendors of LSH Ventures and the Directors of LSH Ventures in the Company before the Proposed Acquisition of LSH Ventures and Debt Settlement (as at the 17 February 2023, being the last practicable date (“LPD”) prior to this announcement) and after the Proposed Acquisition of LSH Ventures and Debt Settlement are set out as follows: -

	Before the Proposed Acquisition of LSH Ventures and Debt Settlement (as at the LPD) ⁽¹⁾				After the Proposed Acquisition of LSH Ventures and Debt Settlement ⁽⁵⁾			
	Direct		Indirect		Direct		Indirect	
	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%
LSH Resources ⁽²⁾	221,334,950	62.16	-	-	⁽⁶⁾ 360,538,754	72.80	-	-
LSH Holdings ⁽²⁾	-	-	⁽³⁾ 221,334,950	62.16	-	-	⁽³⁾ 360,538,754	72.80
Tan Sri KC Lim	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	24,462,692	4.94	⁽⁴⁾ 360,538,754	72.80
Datuk KG	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	24,462,692	4.94	⁽⁴⁾ 360,538,754	72.80
Lim Pak Lian	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	24,462,692	4.94	⁽⁴⁾ 360,538,754	72.80
Lim Keng Hun	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	24,462,692	4.94	⁽⁴⁾ 360,538,754	72.80

Notes: -

- (1) Based on the issued share capital of 356,045,293 LSH Capital Shares as at the LPD.
- (2) LSH Resources is wholly owned by LSH Holdings, which in turn is owned by Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun at 25% equity interest each. Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun are siblings.
- (3) Deemed interested by virtue of its interest in LSH Resources pursuant to Section 8 of the Companies Act 2016.
- (4) Deemed interested by virtue of his/her indirect shareholding in LSH Resources via his/her direct interest in LSH Holdings pursuant to Section 8 of the Companies Act 2016.
- (5) Based on the enlarged issued share capital of 495,249,097 LSH Capital Shares after the issuance of 57,109,037 Consideration Shares of LSH Ventures pursuant to the Proposed Acquisition of LSH Ventures and the issuance of 82,094,767 Settlement Shares pursuant to the Proposed Debt Settlement.
- (6) Pursuant to the terms and conditions of the Amended and Restated DSCSSA, all 57,109,037 Consideration Shares of LSH Ventures pursuant to the Proposed Acquisition of LSH Ventures and all the 82,094,767 Settlement Shares pursuant to the Proposed Debt Settlement shall issued and allotted directly to LSH Resources, the as instructed by the Vendors of LSH Ventures and the Directors of LSH Ventures.

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2.4 Basis and justification for the Purchase Consideration of LSH Ventures

The Purchase Consideration of LSH Ventures was arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the following:

- (i) The prospects of LSH Ventures and ASES (a 87.50% owned subsidiary of LSH Ventures); and
- (ii) The discounted RNAV of LSH Ventures of RM25,699,067 which is derived after taking into consideration of the following: -
 - (a) the audited NBV of LSH Ventures of RM1.32 million based on the latest audited consolidated financial statement of LSH Ventures for the FYE 28 February 2022;
 - (b) the revaluation surplus of the Jalan Pinggiran Tasik Land and the Assets of RM33.07 million; and
 - (c) the discount of RM8.69 million (approximately 25% of the RNAV of LSH Ventures) provided by the Vendors of LSH Ventures to LSH Capital.

2.5 Basis of determining and justification for the issue price of the Consideration Shares of LSH Ventures and Settlement Shares

The issue price of RM0.45 per Consideration Share of LSH Ventures and Settlement Share was agreed upon between the Company, Vendors of LSH Ventures, Directors of LSH Ventures, LSH Ventures and LSH Resources immediately prior to the execution of the Amended and Restated DSCSSA after taking into consideration that it represents a discount of RM0.025 or 5.26% on the closing price of the last day LSH Capital Shares was traded prior to the announcement of the Proposed Acquisition of LSH Ventures and Debt Settlement, being 29 November 2022.

2.6 Ranking and listing of the Consideration Shares of LSH Ventures and Settlement Shares

The Consideration Shares of LSH Ventures and Settlement Shares shall, upon allotment and issuance, rank equally in all respects with the existing LSH Capital Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the Consideration Shares of LSH Ventures and Settlement Shares.

The Consideration Shares of LSH Ventures and Settlement Shares to be issued will be listed on the LEAP Market of Bursa Securities.

2.7 Liabilities to be assumed

Save for the following, the company will not assume any other liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisition of LSH Ventures:

- (a) liabilities arising from the legal land charge created over Property 1 by LSH Ventures in favour of Public Bank Berhad as security for the grant of trade facilities to Knight Auto as working capital for its business operations; and
- (b) liabilities stated in the statements of financial position of LSH Ventures, which will be consolidated into the financial statements of the Company following completion of the Proposed Acquisition of LSH Ventures.

2.8 Additional financial commitment

Apart from the estimated GDC of RM892.9 million for the development of Lake Side Homes project, which is expected to be incurred over a period of 4 years upon the commencement of the project the Company does not foresee any other material financial commitment required to put the property development business under LSH Ventures and/or ASES on stream after the completion of the Proposed Acquisition of LSH Ventures.

The cost of development of the Lake Side Homes project may be funded via a combination of internally generated funds (including those to be generated from sale proceeds of the Lake Side Homes project), shareholders' advances and bank borrowings after taking into consideration the gearing level and working capital requirements of LSH Ventures and/or ASES.

2.9 Financial information of LSH Ventures

A summary of the consolidated financial information of LSH Ventures for the audited FYE 28 February 2020, 2021 and 2022 as well as the unaudited FPE 31 January 2023 is set out as follows:

	Audited			Unaudited
	FYE 28 February 2020	FYE 28 February 2021	FYE 28 February 2022	FPE 31 January 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	228	228	228	219
Gross profit	228	228	228	219
Profit / (loss) before taxation	(264)	194	(57)	(84)
Profit / (loss) after taxation	(314)	144	(109)	(84)
- Non-controlling interest	(22)	(28)	(26)	(26)
- Owners of the company	(292)	172	(83)	(58)
Share capital	100	100	100	100
Retained earnings	984	1,156	1,073	1,015
Shareholders' equity	1,284	1,428	1,320	1,236
- Non-controlling interest	200	172	147	121
- Owners of the company	1,084	1,256	1,173	1,115
Interest bearing borrowing	-	-	-	-
Number of issue shares ('000)	100	100	100	100
Earnings per share (RM)	(3.14)	1.44	(1.09)	(0.84)
Net assets per share (RM)	12.84	14.28	13.20	12.36
Current ratio (times)	0.87	0.88	0.88	0.88
Gearing ratio (times)	-	-	-	-

Comparison between the FYE 28 February 2021 and the FYE 28 February 2020

The revenue generated in both FYE 28 February 2021 and FYE 28 February 2020 comprise of the rental income from the letting of shop offices to LSH Lighting and Knight Auto. The profit after taxation for the FYE 28 February 2021 is higher than the FYE 28 February 2020 mainly due to a gain from the disposal of quoted shares of RM0.3 million.

ASES, being the 87.50% owned subsidiary of LSH Ventures is a property development company undertaking the proposed development of the Lake Side Homes project. There is no revenue generated by ASES during the period given that it has not obtained the development order for Lake Side Homes project. Nonetheless, ASES is still incurring expenses in maintaining its assets such as quit rent. The losses incurred by ASES is offset by the rental income received by LSH Ventures received from the letting of shop offices.

Comparison between the FYE 28 February 2022 and the FYE 28 February 2021

Similarly, the revenue generated in both FYE 28 February 2022 and FYE 28 February 2021 comprise of the rental income from the letting of shop offices to LSH Lighting and Knight Auto.

The losses incurred by ASES is similarly offset by the rental income received by LSH Ventures from the letting of shop offices.

(Source: Management of LSH Ventures)

3. DETAILS OF THE PROPOSED DIVERSIFICATION (PROPERTY DEVELOPMENT)

3.1 Proposed Diversification (Property Development)

On 9 September 2022, the Company has obtained its shareholders' approval for the diversification of the existing principal activities of LSH Capital Group to include the business of construction and provision of construction related services & solution ("**Construction Related Businesses**").

Upon completion of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures, the Company expects the following:

- (a) a further build up of its construction order books through the contracts to be awarded by ASSB and ASES (relating to their respective property development projects, namely LSH Segar project and Lake Side Homes project) to other business division under the LSH Capital Group. It is the intention of the Company upon completion of the Revised Proposals, to award all construction works arising from the LSH Segar project and Lake Side Homes project to its other subsidiaries, namely LSHBB, LSH Lighting and Knight Auto, as part of the complementary integration between the construction, building materials and machinery and property development divisions for the LSH Capital Group.
- (b) an expansion of property development portfolio that carries property development project with an estimated GDV of approximately RM1,586.3 million and estimated GDP of approximately RM391.1 million, which is expected to provide earnings visibility until 2026.

The breakdown of the estimated GDV, GDC and GDP of the property development projects of ASSB and ASES (a 87.50% owned subsidiary of LSH Ventures) are set out as follows: -

Project name	GDV	GDC	GDP
LSH Segar Project	RM395.9 million	RM302.3 million	RM93.6 million
Lake Side Homes Project	RM1,190.4 million	RM892.9 million	RM297.5 million
Total	RM1,586.3 million	RM1,195.2 million	RM391.1 million

Notwithstanding that the estimated revenue and earnings contribution by the Property Development Business for the financial year ending 30 September 2023 is less than 25% of the net profits of the enlarged LSH Capital Group, in view of the complementary nature of the construction business and property development, the Company expects a substantial increase of revenue and earnings contribution from the Property Development Business in the long run.

Thus, in conjunction with the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures, the Company is seeking approval from the shareholders for the Proposed Diversification (Property Development) at the Company's forthcoming EGM.

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3.2 Directors and/or key management personnel

Although the Group does not have any historical track record in Property Development Business, the Board believes that the Group has the capability and resources to diversify its existing principal activities of the Group to include the Property Development Business by leveraging on the experience and expertise of the directors, namely Tan Sri KC Lim, Datuk KG, Lim Pak Lian, Lim Keng Hun and Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob ("**DSMN**"), and key management personnel of the enlarged LSH Capital Group (post completion of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures).

In this respect, the daily management and operations of the new Property Development Business of the enlarged LSH Capital Group will be spearheaded by the executive Directors of the Company and supported by the key management personnel of the enlarged LSH Capital Group.

The roles and responsibilities of the Board and key management personnel include the identification of suitable lands for property development either through joint venture and/or acquisition of development rights and/or acquisition of companies from external parties or related parties, contract negotiation, monitoring contract agreement, formulating and implementing the strategic plan that guides the direction of the projects, financial planning and management of the projects. In addition, pursuant to the Proposed Acquisition of ASSB, LSH Capital Group will be able to access and utilise the existing resources and key management personnel of ASSB for the Property Development Business.

The Board believes that the enlarged LSH Capital Group's management team and employees are capable of managing its existing projects on hand. However, to further complement its Property Development Business, more project manager, administrative team and sales team for its Property Development Business will be recruited should there is a need arise from thereon. Any potential recruitment in the future will be dependent on the size and requirements of the projects to be secured and also the availability of suitable candidates.

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4. EFFECTS OF THE REVISED PROPOSALS

The pro forma effects of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement on the share capital, NA and gearing, earnings and EPS of the Company as well as the substantial shareholders' shareholding of the Company are set out in the ensuing section of this announcement.

The Proposed Diversification (Property Development) will not have any effect on the share capital, NA and gearing as well as the substantial shareholders' shareholding of the Company. Notwithstanding this, the Proposed Diversification (Property Development) is expected contribute to the positive earnings and EPS of the the Company.

4.1 Share capital

The pro forma effects of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement on the issued share capital of the Company are as follows:

	No. of LSH Capital Share	Share Capital (RM)
Issued share capital of LSH Capital as at the LPD	356,045,293	37,000,324
Consideration Shares of ASSB to be issued pursuant to the Proposed Acquisition of ASSB	211,111,111	⁽¹⁾ 95,000,000
Consideration Shares of LSH Ventures to be issued pursuant to the Proposed Acquisition of LSH Ventures	57,109,037	⁽²⁾ 25,699,067
Settlement Shares to be issued pursuant to the Proposed Debt Settlement	82,094,767	⁽³⁾ 36,942,645
Issued share capital after the Proposed Acquisition of ASSB, Proposed Acquisition of LSH Ventures and Proposed Debt Settlement	706,360,208	194,642,036

Notes: -

- (1) Based on the issue price of RM0.45 per Consideration Share of ASSB.
- (2) Based on the issue price of RM0.45 per Consideration Share of LSH Ventures.
- (3) Based the issue price of RM0.45 per Settlement Share.

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4.2 NA and gearing

The pro forma effects of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement on the NA and gearing of the Company are as follows:

	Audited as at 30 September 2022 RM'000	(I) After the Proposed Acquisition of ASSB ⁽¹⁾ RM'000	(II) After (I) and the Proposed Acquisition of LSH Ventures ⁽²⁾ RM'000	(III) After (II) and the the Proposed Debt Settlement ⁽³⁾ RM'000
Share capital	37,000	132,000	157,699	194,642
Merger deficit	(29,618)	(29,618)	(29,618)	(29,618)
Retained earnings	72,119	⁽⁴⁾ 73,207	⁽⁵⁾ 81,900	81,900
Shareholders' equity / NA	79,501	175,589	209,981	246,924
Non-controlling interest	-	-	160	160
Total equity	79,501	175,589	210,141	247,084
No. of LSH Capital Shares in issue ('000)	356,045	567,156	624,265	706,360
NA per Share (RM)	0.22	0.31	0.34	0.35
Total borrowings (RM'000)	7,437	17,413	17,413	17,413
Gearing (times)	0.09	0.10	0.08	0.07

Notes: -

- (1) After accounting for the issuance of 211,111,111 Consideration Shares of ASSB at the issue price of RM0.45 per Consideration Share of ASSB pursuant to the Proposed Acquisition of ASSB and the consolidation of ASSB's balance sheet upon completion of the Proposed Acquisition of ASSB.
- (2) After accounting for the issuance of 57,109,037 Consideration Shares of LSH Ventures at the issue price of RM0.45 per Consideration Share of LSH Ventures pursuant to the Proposed Acquisition of LSH Ventures.
- (3) After accounting for the issuance of 82,094,767 Settlement Shares at the issue price of RM0.45 per Settlement Share pursuant to the Proposed Debt Settlement.
- (4) After accounting for the estimated negative goodwill of RM1.79 million arising from the Proposed Acquisition of ASSB, whereby the Purchase Consideration of ASSB of RM95.00 million is lower than the fair value of ASSB of RM96.79 million and after deducting for the estimated expenses for the Revised Proposals of RM0.70 million.
- (5) After accounting for the estimated negative goodwill of RM8.69 million arising from the Proposed Acquisition of LSH Ventures, whereby the Purchase Consideration of LSH Ventures of RM25.70 million is lower than the fair value of LSH Ventures of RM34.39 million.

4.3 Convertible securities

As at the LPD, the Company does not have any convertible securities.

4.4 Earnings and EPS

For illustrative purposes, assuming that the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement had been completed at the beginning of the FYE 30 September 2022, the pro forma effects of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement on the consolidated earnings and EPS of the Company would be as follows: -

	Audited FYE 30 September 2022 RM'000	(I) After the Proposed Acquisition of ASSB RM'000	(II) After (I) and the Proposed Acquisition of LSH Ventures RM'000	(III) After (II) and the Proposed Debt Settlement RM'000
PAT attributable to the owners of LSH Capital	41,812	⁽³⁾ 42,900	⁽⁶⁾ 51,594	51,594
Add: PAT attributable to the owners of ASSB ⁽¹⁾	-	⁽⁴⁾ 17,307	17,307	17,307
Add: PAT attributable to the owners of LSH Ventures ⁽²⁾	-	-	⁽⁷⁾ (96)	(96)
Pro forma PAT attributable to the owners of LSH Capital	41,812	60,207	68,805	68,805
Weighted average no. of LSH Capital Shares ('000)	355,393	⁽⁵⁾ 566,504	⁽⁸⁾ 623,613	⁽⁹⁾ 705,708
EPS (sen)	11.76	10.63	11.03	9.75

Notes: -

- (1) Based on ASSB's audited financial statements for the FYE 30 September 2022.
- (2) Based on LSH Ventures' audited financial statements for the FYE 28 February 2022.
- (3) After accounting for the estimated negative goodwill of RM1.79 million arising from the Proposed Acquisition of ASSB, whereby the Purchase Consideration of ASSB of RM95.00 million is lower than the fair value of ASSB of RM96.79 million and after deducting the estimated expenses for the Revised Proposals of RM0.70 million.
- (4) Based on LSH Capital's 100% equity interest in ASSB upon the completion of the Proposed Acquisition of ASSB.
- (5) After accounting for the issuance of 211,111,111 Consideration Shares of ASSB pursuant to the Proposed Acquisition of ASSB.
- (6) After accounting for the estimated negative goodwill of RM8.69 million arising from the Proposed Acquisition of LSH Ventures, whereby the Purchase Consideration of LSH Ventures of RM25.70 million is lower than the fair value of LSH Ventures of RM34.39 million.
- (7) Based on LSH Capital's 100% equity interest in LSH Ventures upon the completion of the Proposed Acquisition of LSH Ventures.
- (8) After accounting for the issuance of 57,109,037 Consideration Shares of LSH Ventures pursuant to the Proposed Acquisition of LSH Ventures.
- (9) After accounting for the issuance of 82,094,767 Settlement Shares pursuant to the Proposed Debt Settlement.

4.5 Substantial shareholders' shareholding

The pro forma effects of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement on the substantial shareholders' shareholdings in the Company based on the register of substantial shareholders of the Company as at the LPD are as below: -

	As at the LPD ⁽¹⁾				(I) After the Proposed Acquisition of ASSB ⁽⁵⁾			
	Direct		Indirect		Direct		Indirect	
	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%
LSH Resources ⁽²⁾	221,334,950	62.16	-	-	404,297,913	71.29	-	-
LSH Holdings ⁽²⁾	-	-	⁽³⁾ 221,334,950	62.16	-	-	⁽³⁾ 404,297,913	71.29
Tan Sri KC Lim	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	⁽⁶⁾ 31,499,729	5.55	⁽⁴⁾ 404,297,913	71.29
Datuk KG	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	31,499,729	5.55	⁽⁴⁾ 404,297,913	71.29
Lim Pak Lian	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	31,499,729	5.55	⁽⁴⁾ 404,297,913	71.29
Lim Keng Hun	24,462,692	6.87	⁽⁴⁾ 221,334,950	62.16	31,499,729	5.55	⁽⁴⁾ 404,297,913	71.29

	(II) After (I) and the Proposed Acquisition of LSH Ventures ⁽⁷⁾				(III) After (II) and the Proposed Debt Settlement ⁽⁹⁾			
	Direct		Indirect		Direct		Indirect	
	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%
LSH Resources ⁽²⁾	⁽⁸⁾ 461,406,950	73.91	-	-	⁽¹⁰⁾ 543,501,717	76.94	-	-
LSH Holdings ⁽²⁾	-	-	⁽³⁾ 461,406,950	73.91	-	-	⁽³⁾ 543,501,717	76.94
Tan Sri KC Lim	31,499,729	5.05	⁽⁴⁾ 461,406,950	73.91	31,499,729	4.46	⁽⁴⁾ 543,501,717	76.94
Datuk KG	31,499,729	5.05	⁽⁴⁾ 461,406,950	73.91	31,499,729	4.46	⁽⁴⁾ 543,501,717	76.94
Lim Pak Lian	31,499,729	5.05	⁽⁴⁾ 461,406,950	73.91	31,499,729	4.46	⁽⁴⁾ 543,501,717	76.94
Lim Keng Hun	31,499,729	5.05	⁽⁴⁾ 461,406,950	73.91	31,499,729	4.46	⁽⁴⁾ 543,501,717	76.94

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Notes: -

- (1) *Based on the issued share capital of 356,045,293 LSH Capital Shares as at the LPD.*
- (2) *LSH Resources is wholly owned by LSH Holdings, which in turn is owned by Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun at 25% equity interest each. Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun are siblings.*
- (3) *Deemed interested by virtue of its interest in LSH Resources pursuant to Section 8 of the Companies Act 2016.*
- (4) *Deemed interested by virtue of his/her indirect shareholding in LSH Resources via his/her direct interest in LSH Holdings pursuant to Section 8 of the Companies Act 2016.*
- (5) *Based on the enlarged issued share capital of 567,156,404 LSH Capital Shares after the issuance of 211,111,111 Consideration Shares of ASSB pursuant to the Proposed Acquisition of ASSB.*
- (6) *Pursuant to the Nomination Letter – SSA, all 7,037,037 Consideration Shares of ASSB pursuant to the Proposed Acquisition of ASSB shall be issued and allotted directly to Tan Sri KC Lim, as instructed by Lim Ding Shyong.*
- (7) *Based on the enlarged issued share capital of 624,265,441 LSH Capital Shares after the issuance of 57,109,037 Consideration Shares of LSH Ventures pursuant to the Proposed Acquisition of LSH Ventures.*
- (8) *Pursuant to the terms and conditions of the Amended and Restated DSCSSA, all 57,109,037 Consideration Shares of LSH Ventures pursuant to the Proposed Acquisition of LSH Ventures shall be issued and allotted directly to LSH Resources, as instructed by the Vendors of LSH Ventures.*
- (9) *Based on the enlarged issued share capital of 706,360,208 LSH Capital Shares after the issuance of 82,094,767 Settlement Shares pursuant to the Proposed Debt Settlement.*
- (10) *Pursuant to the terms and conditions of the Amended and Restated DSCSSA, all 82,094,767 Settlement Shares pursuant to the Proposed Debt Settlement shall be issued and allotted directly to LSH Resources, as instructed by the Directors of LSH Ventures.*

5. APPROVALS REQUIRED AND CONDITIONALITY

5.1 Approval required

5.1.1 Proposed Acquisition of ASSB

The Proposed Acquisition of ASSB is subject to the approvals being obtained from the following:

- (i) the Company obtaining the approval of Bursa Securities for the listing and quotation of the Consideration Shares of ASSB on the LEAP Market of Bursa Securities;
- (ii) the Company obtaining the approval of its shareholders at the forthcoming EGM;
- (iii) ASSB obtaining the consent from AmBank (M) Berhad, AmBank Islamic Berhad and MBSB Bank Berhad respectively for change in shareholding structure of ASSB pursuant to the Proposed Acquisition of ASSB as stated in the facilities ⁽¹⁾ provided by the respective banks; and
- (iv) the approval, consent and/or sanction of any other relevant authorities / parties, if required.

Note:

- (1) *On 1 April 2022, ASSB had issued a letter to AmBank (M) Berhad, AmBank Islamic Berhad and MBSB Bank Berhad respectively requesting for consent for the change in shareholding structure of ASSB pursuant to the Proposed Acquisition of ASSB respectively. AmBank (M) Berhad, AmBank Islamic Berhad and MBSB Bank Berhad had vide its letter dated 28 June 2022, 28 June 2022 and 2 August 2022 respectively, responded that they have no objection for the change in shareholding structure of ASSB.*

5.1.2 Proposed Acquisition of LSH Ventures and Debt Settlement

The Proposed Acquisition of LSH Ventures and Debt Settlement is subject to the approvals being obtained from the following:

- (i) the Company obtaining the Bursa Securities for the listing and quotation of the Consideration Shares of LSH Ventures and Settlement Shares on the LEAP Market of Bursa Securities;
- (ii) the Company obtaining the approval of its shareholders at the forthcoming EGM; and
- (iii) the approval, consent and/or sanction of any other relevant authorities / parties, if required.

5.1.3 Proposed Diversification (Property Development)

The Proposed Diversification (Property Development) is subject to the approvals being obtained from the following:

- (i) the Company obtaining the approval of its shareholders at the forthcoming EGM; and
- (ii) the approval, consent and/or sanction of any other relevant authorities / parties, if required.

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5.2 Conditionality

- (a) The Proposed Acquisition of ASSB is conditional upon the Proposed Diversification (Property Development).
- (b) The Proposed Acquisition of LSH Ventures is conditional upon the Proposed Diversification (Property Development).
- (c) The Proposed Debt Settlement is conditional upon the Proposed Acquisition of LSH Ventures.
- (d) The Proposed Acquisition of ASSB are not inter-conditional with the Proposed Acquisition of LSH Ventures and Debt Settlement.
- (e) The Revised Proposals are not conditional upon any other corporate exercise being or proposed to be undertaken by the Company.

Save for the Revised Proposals, there is no other corporate exercise which has been announced by the Company but have yet to be completed before the LPD.

6. PERCENTAGE RATIO

The Revised Proposals will not result in a significant change in the business direction or policy of LSH Capital as:

- (i) there is no change in the composition of the Board as a consequence of the Revised Proposals;
- (ii) there is no change in the controlling shareholder(s) as a consequence of the Revised Proposals;
- (iii) the entity being acquired (i.e. ASSB and LSH Ventures), is in a business similar to the core business of LSH Capital; and
- (iv) the Revised Proposals is not a restructuring exercise which will involve the transfer of the LSH Capital's listing status and the introduction of new assets to other corporation.

The highest percentage ratio applicable to the Revised Proposals are as follows:

- (a) The highest percentage ratio applicable to the Proposed Acquisition of ASSB pursuant to Paragraph 7.02(f) of the LMLR based on the latest audited financial statements of LSH Capital for the FYE 30 September 2022 is 119.50%, being the Purchase Consideration of ASSB against the NA of the Company as at 30 September 2022.
- (b) The highest percentage ratio applicable to the Proposed Acquisition of LSH Ventures pursuant to Paragraph 7.02(f) of the LMLR based on the latest audited financial statements of LSH Capital for the FYE 30 September 2022 is 32.33%, being the Purchase Consideration of LSH Ventures against the NA of the Company as at 30 September 2022.
- (c) The highest percentage ratio applicable to the Proposed Debt Settlement pursuant to Paragraph 7.02(f) of the LMLR based on the latest audited financial statements of LSH Capital for the FYE 30 September 2022 is 46.47%, being the Settlement Consideration against the NA of the Company as at 30 September 2022.

For information, the highest percentage ratio applicable after aggregating the percentage ratio for the Proposed Acquisition of ASSB, Proposed Acquisition of LSH Ventures and Proposed Debt Settlement is 198.30%, calculated based on the aggregate consideration compared to the audited consolidated NA of the Company as at 30 September 2022 of RM79.50 million.

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

As at the LPD, Tan Sri KC Lim, Datuk KG, Lim Pak Lian, Lim Keng Hun and DSMN are the directors of the Company. The directors and major shareholders of the Company by virtue of their direct and indirect interests in the Company as at the LPD are set out as below:

	Direct		Indirect	
	No. of LSH Capital Shares	%	No. of LSH Capital Shares	%
LSH Resources ⁽¹⁾	221,334,950	62.16	-	-
LSH Holdings ⁽¹⁾	-	-	⁽²⁾ 221,334,950	62.16
Tan Sri KC Lim	24,462,692	6.87	⁽³⁾ 221,334,950	62.16
Datuk KG	24,462,692	6.87	⁽³⁾ 221,334,950	62.16
Lim Pak Lian	24,462,692	6.87	⁽³⁾ 221,334,950	62.16
Lim Keng Hun	24,462,692	6.87	⁽³⁾ 221,334,950	62.16
DSMN	1,000,000	0.28	-	-

Notes: -

- (1) LSH Resources is wholly owned by LSH Holdings, which in turn is owned by Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun at 25% equity interest each. Tan Sri KC Lim, Datuk KG, Lim Pak Lian and Lim Keng Hun are siblings.
- (2) Deemed interested by virtue of its interest in LSH Resources pursuant to Section 8 of the Companies Act 2016.
- (3) Deemed interested by virtue of his/her indirect shareholding in LSH Resources via his/her direct interest in LSH Holdings pursuant to Section 8 of the Companies Act 2016.

Saved as disclosed below, none of the directors and/or major shareholders of the Company and/or persons connected with them have any interests, whether direct or indirect, in respect of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement.

- (a) LSH Resources, being the substantial shareholder of ASSB.
- (b) Datuk KG, being the director and substantial shareholder of ASSB, and the director of LSH Ventures.
- (c) Lim Pak Lian, being the director and substantial shareholder of ASSB and LSH Ventures.
- (d) Lim Keng Hun, being the director and substantial shareholder of ASSB and LSH Ventures.
- (e) Lim Ding Shyong, the son of Tan Sri KC Lim and the nephew of Datuk KG, Lim Pak Lian and Lim Keng Hun, being the director and shareholder of ASSB and LSH Ventures.

Thus, Tan Sri KC Lim, Datuk KG, Lim Pak Lian, Lim Keng Hun, LSH Resources and LSH Holdings (collectively known as the “**Interested Parties**”) are deemed interested in the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement.

The Interested Parties have abstained and will continue to abstain from all deliberations and voting in relation to the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement at the relevant Board meetings. The Interested Parties will also abstain from voting in respect of his/her direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement to be tabled at the forthcoming EGM.

The Interested Parties have undertaken to ensure that the person connected with them will abstain from voting in respect of his/her direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement to be tabled at the forthcoming EGM.

8. DIRECTORS' RECOMMENDATION

8.1 Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement

The Board (save for the Interested Parties), having considered all aspects of the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement as well as the recommendation of the Adviser, is of the opinion that the Proposed Acquisition of ASSB and Proposed Acquisition of LSH Ventures and Debt Settlement are: -

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

8.2 Proposed Diversification (Property Development)

The Board, having considered all aspects of the Proposed Diversification (Property Development) as well as the recommendation of the Adviser, is of the opinion that the Proposed Diversification (Property Development) is in the best interest of the Company.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Revised Proposals is expected to be completed by 1st half of 2023.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The Amended and Restated DSCSSA are available for inspection at the registered office of the Company at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 20 February 2023.

The salient terms of the Amended and Restated DSCSSA are as follows:

1 Sale and Purchase

Subject to the terms and conditions of the Amended and Restated DSCSSA, the Vendors of LSH Ventures agree to sell and the Company agrees to purchase all 100,000 ordinary shares in LSH Ventures, representing 100% equity interest in LSH Ventures ("**LSH Ventures Shares**") for a total consideration of RM25,699,067 ("**Purchase Consideration of LSH Ventures**")

2 Basis of sale

The LSH Ventures Shares are sold –

- (a) free from all liens, charges and encumbrances and with full legal and beneficial title;
- (b) with all rights attaching thereto with effect from the Completion Date; and
- (c) on the basis of the warranties given by the Vendors of LSH Ventures to the Company.

For the purpose of the Amended and Restated DSCSSA, the Completion Date means a day which is not later than ten (10) business days from the Unconditional Date (as defined in Section 7 below) or such other date as may be agreed upon between the parties upon which Completion (as defined in Section 8 below) is to take place.

3 Amount of consideration

The Purchase Consideration of LSH Ventures was agreed by the Vendors of LSH Ventures and the Company after taking into consideration –

- (a) the prospects of LSH Ventures and its 87.50% owned subsidiary, namely Astana Setia & Euro Saga Sdn Bhd ("**ASES**");
- (b) the discounted revalue net asset value ("**RNAV**") of LSH Ventures of RM25,699,067 which is derived after taking into the consideration of –
 - (i) the audited net book value of LSH Ventures of RM1.32 million based on the latest audited consolidated financial statements of LSH Ventures for the financial year ended 28 February 2022;
 - (ii) the revaluation surplus of the Jalan Pinggiran Tasik Land⁽¹⁾ and the Assets⁽²⁾ of RM33.07 million; and
 - (iii) a discount of RM8.69 million (approximately 25% of the RNAV of LSH Ventures) given by the Vendors to LSH Capital.

Notes:

⁽¹⁾ **Jalan Pinggiran Tasik Land** means the parcel of leasehold land measuring approximately 47,950 square meter in land area and held under PN 53100, Lot 103675, Locality of Sungai Besi, Mukim of Petaling, District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur by ASES.

⁽²⁾ **Assets** means, collectively –

- (a) a three (3) storey shop office erected on a piece of freehold land held under title Geran 5984, Lot No. 334 Seksyen 86, Bandar Kuala Lumpur, District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur, measuring approximately 152.356 square meter;
- (b) a two (2) storey shop office erected on a piece of freehold land held under title Geran 335373, Lot No. 13376, Bandar Baru 18, Semenyih, District of Ulu Langat and State of Selangor of Darul Ehsan, measuring approximately 174 square meter;
- (c) a three (3) storey shop office erected on a piece of freehold land held under title Geran 335371, Lot No. 13379, Bandar Baru 18, Semenyih, District of Ulu Langat and State of Selangor Darul Ehsan, measuring approximately 276 square meter; and
- (d) a parcel of freehold vacant land held under title HSD 471748, PT No. PTB 22672, Bandar Johor Bahru, District of Johor Bahru and State of Johor measuring approximately 901.16 square meter;

4 Satisfaction of consideration

The Company shall pay the Purchase Consideration of LSH Ventures by way of issuance of 57,109,037 new ordinary shares in the Company (“**Consideration Shares of LSH Ventures**”) at an issue price of RM0.45 per ordinary share.

The Vendors of LSH Ventures irrevocably instruct the Company to issue and allot the Consideration Shares of LSH Ventures to LSH Resources on the Completion Date.

The Consideration Shares of LSH Ventures when allotted to LSH Resources shall rank pari passu with all ordinary shares of the Company already issued, with all rights attached thereto from the Completion Date and shall be free from all encumbrances.

5 Conditions precedent

The completion of the sale and purchase of the LSH Ventures in accordance with the terms and conditions of the Amended and Restated DSCSSA is in all respects conditional upon –

- (a) the Company having obtained the approval of its shareholders for –
 - (i) the acquisition of LSH Ventures and the settlement of the Directors’ Advances (as defined in Section 9 below) by the Company in accordance with the provisions of the Amended and Restated DSCSSA; and
 - (ii) the diversification of the existing principal business activities of the Company and its subsidiaries to include business of property development;
- (b) the Company having obtained the approval of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of, and quotation for, the Consideration Shares of LSH Ventures and the Settlement Shares on the LEAP Market of Bursa Securities;
- (c) all requisite consents, waivers or authorisations from third parties required for the Completion (“**Consents**”) having been obtained or the confirmation in writing issued by the Vendors of LSH Ventures confirming that no Consent is required; and
- (d) the Company being satisfied with the outcome of the due diligence to be carried out on the business and affairs of LSH Ventures.

(Collectively, “**Conditions Precedent**”)

Either party shall inform the other party within three (3) business days upon satisfaction of their respective obligations as set out in the preceding paragraph.

6 Non-satisfaction of conditions precedent

If any one of the Conditions Precedent is not fulfilled and not waived by the Company (or in respect of the Condition Precedent set out in Section 5(a) above, by the Vendors of LSH Ventures) within the Conditional Period⁽¹⁾, then any party shall be entitled to issue a notice of termination to the other parties.

Note:

- ⁽¹⁾ **Conditional Period** means the period of twelve (12) months commencing from the date of the Amended and Restated DSCSSA or such other date as the parties may agree in writing,

In the event that a notice of termination is given under this section 6, the Amended and Restated DSCSSA shall terminate and thereafter neither party shall have any further obligation under this agreement to the other parties.

7 Unconditional Date

The Amended and Restated DSCSSA shall become unconditional on the day upon which the last of the Conditions Precedent has been fulfilled or waived in accordance with the provisions therein.

8 Completion

On a day which is not later than ten (10) business days from the Unconditional Date or such other date as may be agreed upon between the parties upon which Completion is to take place ("**Completion Date**"), the following shall take place at the Company's office, or such other place as may be agreed upon by the parties ("**Completion**"):

- (a) The Company shall issue and allot the Consideration Shares of LSH Ventures to LSH Resources.
- (b) The Vendors of LSH Ventures shall deliver to the Company –
 - (i) share transfer forms, duly completed and executed by the Vendors of LSH Ventures, in favour of the Company in respect of the LSH Ventures Shares;
 - (ii) statutory books, accounts books, common seal and documents of LSH Ventures that are in the possession of the Vendors of LSH Ventures;
 - (iii) original share certificates of the LSH Ventures Shares; and
 - (iv) certified true copy of the resolution of the board of directors of LSH Ventures approving the transfer of the LSH Ventures Shares, the issuance of the new share certificate relating to the LSH Ventures Shares and the entering of the name of the Company into the register of members of the LSH Ventures.

9 Settlement of Directors' Advances

The Directors' Advances which were extended to LSH Ventures by the Directors of LSH Ventures in July 2018 was mainly to fund for payment of premium and other expenses related to the alienation of the Jalan Pinggiran Tasik Land.

The Directors Advances are interest-free, without any fixed repayment schedule, and represents the total amount owing by LSH Ventures to the Directors of LSH Ventures, the breakdown of which are as below:

Name of Director	Amount of Directors' Advances (RM)
DLKG	9,235,661.25
LPL	9,235,661.25
LKH	9,235,661.25
LDS	9,235,661.25

Subject to Completion, on the Completion Date, the Company shall issue and allot 82,094,767 new ordinary shares in the Company ("**Settlement Shares**") at the issue price of RM0.45 per ordinary shares as full and final settlement of the Directors' Advances.

The Directors of LSH Ventures irrevocably instruct the Company to issue and allot the Settlement Shares to LSH Resources on Completion Date.

Parties agree that issuance and allotment of the Settlement Shares in accordance with this paragraph shall constitute full and final settlement of the Directors' Advances by LSH Ventures, and the Directors of LSH Ventures shall have no further claim or demand of whatsoever nature and howsoever arising from the Directors' Advances against LSH Ventures.

10 Ranking of Settlement Shares

The Settlement Shares when allotted to LSH Resources shall rank pari passu with all ordinary shares of the Company already issued, with all rights attached thereto from the Completion Date and shall be free from all encumbrances.

11 Termination

Vendors of LSH Ventures' right to terminate

The Vendors of LSH Ventures may, at any time while such default subsists, give a notice of termination to the Company, in the event that the Company defaults in the satisfaction of the Purchase Consideration of LSH Ventures in accordance with the provisions of the Amended and Restated DSCSSA or is otherwise in material breach of its obligations under the Amended and Restated DSCSSA, and which, if capable of rectified, has not been rectified by the Company within ten (10) business days (or such longer period as may be mutually agreed between the parties) of being requested to do so by the Vendors of LSH Ventures.

The Company's right to terminate

Prior to completion, the Company may, at any time while such default subsists, give a Notice of Termination to the Vendors of LSH Ventures in the event that –

- (a) the Vendors of LSH Ventures fail, neglect or refuse to complete the sale in accordance with the provisions of the Amended and Restated DSCSSA; or
- (b) there is a material breach of any of the representations, warranties, undertakings, terms and conditions of the Amended and Restated DSCSSA by the Vendors of LSH Ventures and which, if capable of rectified, has not been rectified by the Vendors of LSH Ventures within ten (10) business days (or such longer period as may be mutually agreed between the parties) of being requested to do so by the Company.

Consequences of termination

In the event a notice of termination is duly given under the provisions of this section 11–

- (a) the Company shall, on the next business day from the receipt or issuance of the notice of termination, return all documents, if any, delivered to it pursuant to the Amended and Restated DSCSSA; and
- (b) each party shall do everything reasonably required by the other parties to revert any action taken under Section 8 or Section 9 within fourteen (14) days from the receipt or issuance of the notice of termination.

Parties agree that the termination of the Amended and Restated DSCSSA is without prejudice to any other rights any party may have in respect of any antecedent breach and LSH Ventures acknowledges and agrees that the Directors' Advances shall remain due and owing by the LSH Ventures to the Directors of LSH Ventures. Thereafter, LSH Ventures and the Directors of LSH Ventures shall mutually agree on the repayment terms of the Directors' Advances.

Post-termination

Following the giving of a notice of termination under any of the provision of the Amended and Restated DSCSSA, neither party shall have any further obligation under the Amended and Restated DSCSSA to the other party, except in respect of –

- (a) their respective obligations after the issuance of notice of termination as stated above;
- (b) any obligation under the Amended and Restated DSCSSA which is expressed to apply after the termination of the Amended and Restated DSCSSA; and
- (c) any rights or obligations which have accrued in respect of any breach of any of the provisions of the Amended and Restated DSCSSA to either party prior to such termination.