

LII HEN INDUSTRIES BHD (301361-U)
(Incorporated in Malaysia)

Minutes : Extraordinary General Meeting

Held at : Classic 1 Ballroom, Classic Hotel
69, Jalan Ali, 84000 Muar,
Johor Darul Takzim

On : 1 November 2017

At : 11.00 a.m.

Present : Mr. Lan Haw Chong @
Lau Haw Chong - Independent Chairman
Mr. Chua Yong Haup - Managing Director
Mr. Chua Lee Seng - Executive Director
Mr. Tok Heng Leong - Executive Director
Mr. Tan Bee Eng - Executive Director
Mr. Tey Ping Cheng - Independent Director
Mr. Chan Wah Chong - Independent Director
Dato' Mustapha Bin
Abd Hamid - Independent Director
Chan Nyat Keong - Non-Executive Non-Independent
Director

and 11 other members including proxy holders as per attendance sheet

In Attendance Mr. Tan Wang Giap - Company Secretary
Encik Farid Rahman - DWA Advisory Representative
Encik Farouqhi Hassan - DWA Advisory Representative
Mr. Michael Ho - KAF Investment Bank Representative
Mr. Teoh Teik Li - KAF Investment Bank Representative
Mr. Rychard Hong - KAF Investment Bank Representative
Mr. Jory Leong - Iza, Ng Yeoh & Kit Representative
Mr. Wong Chia Wei - Domain Partners Sdn Bhd Representative
Mr. Foo Kee Fatt - External Auditors, John Lim & Associates
Ms Khoo Poh Chen - External Auditors, John Lim & Associates
Ms Carinne Tan - Due Diligent Auditors, Peter Chong & Co.
Ms Tee Yik Bee - Due Diligent Auditors, Peter Chong & Co.
Mr. John Lim - External Auditors, John Lim & Associates
Mr. Tai Yew Wong - Share Registrar

and 4 staffs as per attendance sheet

1. COMMENCEMENT

1.1 The Independent Chairman, Mr. Lan Haw Chong @ Lau Haw Chong took the chair and extended a warm welcome to the members present.

1.2 The Chairman introduced all present at the stage to all members present.

2. QUORUM

2.1 The Chairman informed that as reported by the Company Secretary, a total of 51 proxies for 15,632,210 shares were received and he has also confirmed the presence of the requisite quorum of this Meeting.

2.2 The requisite quorum being present pursuant to the Article 63 of the Company's Articles of Association, the Chairman called the meeting to order.

3. NOTICE

- 3.1 The Chairman informed that the Notice of the Extraordinary General Meeting (“EGM”) had been sent to all shareholders in accordance with the Companies Act 2016 and the Company’s Articles of Association.
- 3.2 The Chairman declared that as there is no objection from the members present, the Notice of Meeting be taken as read.

4. VOTE BY POLL

- 4.1 The Chairman informed that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Ordinary Resolution tabled in this Meeting shall be put to vote by poll.
- 4.2 The Chairman further informed that as the Proposed Acquisition of Domain Partners Sdn. Bhd. (“DPSB”) is a related party transaction, the Interested Directors and Interested Major Shareholder shall abstain from voting on this Ordinary Resolution, due to their direct and/or indirect shareholdings in LHIB.
- 4.3 He continued to mention that the Interested Directors and Interested Major Shareholder have also undertaken to ensure that persons connected with them will abstain from voting on this Ordinary Resolution.
- 4.4 He informed all members present that upon registration, all members are given a poll slip for voting and are to cast their votes for this Ordinary Resolution on the Poll Slip and Messrs. Quantegic Services Sdn. Bhd., has been appointed as the independent scrutineer to validate the votes cast for this Ordinary Resolution.

5. ORDINARY RESOLUTION - PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN. BHD.

- 5.1 The Chairman then proceeded to the Agenda of this Meeting and informed that it is to seek shareholders’ approval for the Proposed Acquisition of the entire share capital of Domain Partners Sdn. Bhd. (“DPSB”) comprising 500,000 ordinary shares by Favourite Design Sdn. Bhd. (“FDSB”), a wholly owned subsidiary by LHIB for a purchase consideration of RM19,738,000.
- 5.2 He further informed that the Vendors of Sale Shares of DPSB are Chua Lee Seng, Tok Heng Leong, Neoh Cher Leong, Chua Yong Haup, Chua Yong Hock, Soo Tee Heng, Tan Bee Eng and Tok Soon Hing, who are also directors and/or major shareholders of LHIB.
- 5.3 The Chairman said that currently FDSB is renting the Industrial Complex owned by DPSB for use as a warehouse at a monthly rental of RM137,741 and the Proposed Acquisition will result in:
- i) saving in rental payments;
 - ii) reducing related party transaction; and
 - iii) having full control over the Industrial Complex and this will prevent possible disruption to the Group’s operations.

5. ORDINARY RESOLUTION

- PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN BHD - continued

5.4 The Chairman informed the meeting that the Company has invited the Principal Adviser and Independent Adviser to the proposed transaction to present the Proposed Acquisition to the shareholders and to advise the non-interested shareholders in respect thereof before the motion was proposed for voting:

- (a) Mr. Michael Ho, Representative from Kaf Investment Bank Bhd., the Principal Adviser; and
- (b) Encik Farid Rahman, Representative from DWA Advisory Sdn. Bhd., the Independent Adviser.

5.5 REPORT BY PRINCIPAL ADVISER

Mr. Michael Ho commenced his presentation by drawing the attention of the members present on the following:

- i) abbreviations and definitions used throughout in their presentation shall be the same as the Circular to the Shareholders in relation to the Proposed Acquisition of DPSB dated 20 September 2017 ("Circular").
- ii) the Circular and all the relevant documents should be the only documents the shareholders should rely on. Their presentation is merely an illustration or extract of the Circular.
- iii) if shareholders are in any doubt as to the course of action to be taken, they should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.
- iv) KAF takes no responsibility for the contents of this presentation, 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 whole or any part of the contents or their presentation.

Details of the Proposed Acquisition of DPSB

Mr. Michael Ho said the Proposed Acquisition of DPSB entails the acquisition by FDSB of the total number of issued shares of DPSB, comprising 500,000 ordinary shares of DPSB, free from any encumbrances together with all rights, benefits and accrued and unpaid dividends, interest or other entitlements attached thereto, from the Vendors for the Final Purchase Consideration.

Justification of the Purchase Consideration

a) Purchase Consideration

He informed that the Purchase Consideration was arrived at on a willing-buyer and willing-seller basis, after taking into consideration the RNAV of DPSB based on the following:

- i) the unaudited NA of DPSB as at 31 March 2017 of approximately RM2.84 million; and
- ii) the net revaluation surplus of the properties of RM16.90 million arrived at by deducting the carrying amount of the properties from the estimated market value of the properties as appraised by VPC and as stated in the Valuation Certificate using the cost method or valuation.

5. ORDINARY RESOLUTION
- PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN BHD - continued

5.5 REPORT BY PRINCIPAL ADVISER – continued

Details of the Proposed Acquisition of DPSB – continued

a) Purchase Consideration – continued

No. Description	Amount RM
i) Unaudited NA of DPSB as at 31 March 2017	2,841,406
ii) Add: Net revaluation surplus	16,896,803
	<hr/>
RNAV of DPSB as at 31 March 2017	19,738,209
	<hr/>

b) Revised Purchase Consideration

The Revised Purchase Consideration is based on the RNAV of DPSB as at 31 May 2017 and the calculation on the RNAV as at 31 May 2017 is as set out in the table below:

No. Description	Amount RM
i) Investment properties	30,000,000
ii) Cash and bank balances	1,235,435
iii) Other debtors	44,940
iv) Other creditors	(4,722,334)
v) Amount due to directors	(2,519,290)
vi) Tax liability	(225,391)
vii) Deferred tax liability	(3,866,659)
	<hr/>
RNAV of DPSB as at 31 March 2017	19,946,701
	<hr/>

Michael Ho further elaborated that the Revised Purchase Consideration is subject to adjustments as follows to ensure that the Final Purchase Consideration is derived based on the RNAV of DPSB as at the Completion Date:

- i) In the event the P&L Statement shows a profit, FDSB shall pay an amount equivalent to such profit by cash rounded down to the nearest thousand less all costs and expenses that will be incurred for the audit of the P&L Statement and all other relevant expenses, to the Vendors within fourteen days from the date the Vendors are in receipt of the P&L Statement; and
- ii) In the event the P&L Statement shows losses, the Vendors shall pay an amount equivalent to such losses by cash rounded down to the nearest thousand to FDSB within fourteen days from the date the Vendors are in receipt of the P&L Statement, failing which the Vendors shall pay to FDSB interest at the rate of eight per cent per annum calculated on a daily basis on the amount equivalent to such losses shall be payable by the Vendors from the expiry of the 14th days until the date of payment

Rationale of the Proposed Acquisition of DPSB

He mentioned that the rationale of the Proposed Acquisition are as follows:

- i) the Proposed Acquisition will result in saving from rental payments. Based on the monthly rental of RM137,741 pursuant to the rental of Industrial Complex and Land by FDSB from DPSB, the rental savings per annum will amount to RM1,652,892. The Proposed Acquisition would also reduce related party transactions of the Group moving forward.

5. ORDINARY RESOLUTION
- PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN BHD - continued

5.5 REPORT BY PRINCIPAL ADVISER – continued

b) *Rationale of the Proposed Acquisition of DPSB* – continued

- ii) the Proposed Acquisition also provides assurance to LHIB that the Industrial Complex and Land would not be disposed of to any third party by DPSB. This would prevent potential disruption to the operations of the Group.
- iii) the Industrial Complex is being used as a warehouse of FDSB as it is located next to the factory building of FDSB. As at the latest practical date (“LPD”), the warehouse space currently owned and rented by the Group amounts to 28,800 sq. ft. and 752,066 sq. ft. respectively. The total warehouse space in the Industrial Complex is 294,164 sq. ft. As such, it constitutes a substantial warehouse space required by the Group. Further, as at the LPD, the utilisation rate of the total warehouse space owned and rented by the Group is 100%.

Analysis of Past Transacted Industrial Property in Muar

Mr. Michael Ho showed a table on an analysis of past transacted industrial property in Muar with a source from Valuation and Property Services Department, Ministry of Finance Malaysia which shows that high, low and average transacted price per square foot of built up area for period from 10 March 2015 to 5 January 2017 are RM266, RM40 and RM 171 respectively.

He highlighted that proposed transacted price per square foot of built up area for the Industrial Complex and Land is RM102 which is below the average price of the market as shown above.

He also tabled Bursa Malaysia Property Index graph from Bloomberg Source which shows that DPSB had transacted properties not in the peak period.

5.6 REPORT BY THE INDEPENDENT ADVICE LETTER

Encik Farid Rahman commenced his presentation on General Summary of the Independent Advice letter by drawing the attention of the shareholders present that all words and expression used in their paper and the Independent Advice Letter (“IAL”) shall have the same meanings as defined in Part A of the Circular, except where the context otherwise requires or stated otherwise.

Background

Encik Farid Rahman informed that the purposes of the IAL are to provide the non-interested shareholders of LHIB with an independent evaluation on the fairness and reasonableness of the terms of the Proposed Acquisition of DPSB and the IAL will also provide recommendations in relation to the Ordinary Resolution pertaining to the Proposed Acquisition to be tabled at this EGM.

He said that in performing their evaluation, DWA Advisory has relied on the following sources of information and documents:

- i) the Conditional SSA for the Proposed Acquisition of DPSB;
- ii) the information obtained or derived from the Company’s announcement to Bursa Securities on 29 May 2017 in relation to the Proposed Acquisition of DPSB;

5. ORDINARY RESOLUTION
- PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN BHD - continued

5.6 REPORT BY THE INDEPENDENT ADVISE LETTER – continued

Background – continued

- iii) the information contained in Part A of the Circular and the enclosed appendices;
- iv) other relevant information, documents, confirmations and representations provided to DWA Advisory by the directors and the management of LHIB;
- v) discussions and consultation with the Board and management of LHIB;
- vi) other relevant information, documents, confirmations and representations provided to DWA Advisory by the Board and management of DPSB;
- vii) VPC's Valuation Certificate and Valuation Report; and
- viii) other publicly available information which DWA Advisory deemed to be relevant.

Evaluation of the Proposed Acquisition of DPSB

a) Rationale of the Proposed Acquisition of DPSB

Encik Farid Rahman said that after evaluation of the Proposed Acquisition of DPSB, they are of the opinion that it is reasonable and not detrimental to the interest of the non-interested shareholders of LHIB as it is expected to:

- i) allow savings in annual rental payments; and
- ii) prevent possible disruptions to the Group's operations in the event of non-renewal of the tenancy agreement of the Industrial Complex or disposal of the Industrial Complex and the Land to any third party.

b) Evaluation of the Purchase Consideration

Purchase consideration

He said that the Purchase Consideration of RM19.738 million was arrived at on a willing-buyer and willing-seller basis after taking consideration the RNAV of DPSB based on the following:

- i) The unaudited NA of DPSB as at 31 March 2017 of approximately RM2.84 million; and
- ii) The net revaluation surplus of the Industrial Complex of RM16.90 million arrived at by deducting the carrying amount of the Industrial Complex from its adjusted market value as appraised by the Valuer.

He further said that after evaluation, DWA Advisory is of the view that the asset-based approach, using the RNAV to arrive at the fair value of DPSB, is appropriate.

Revised Purchase Consideration

DWA Advisory noted that, pursuant to Section 2.42(vi) of Part A of the Circular, the Purchase Consideration will be adjusted to effect the RNAV of DPSB as at the Management Accounts Date that had been concluded upon completion of the Financial Due Diligence Audit which amounts to RM19.946 million.

**5. ORDINARY RESOLUTION
- PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN BHD - continued**

5.6 REPORT BY THE INDEPENDENT ADVICE LETTER – continued

b) Evaluation of the Purchase Consideration - continued

Final Purchase Consideration

The Revised Purchase Consideration will be further adjusted to effect the profits or losses attributable to the Vendors post Management Accounts Date to arrive at the Final Purchase Consideration as explained in Section 2.4.5(ii) and Section 2.4.5(iv) of Part A of the Circular.

Encik Farid Rahman highlighted that in addition, on Completion Date, FDSB shall pay each of the Vendors the amount of indebtedness that is due and owing to each of them totaling of RM6.8 million. Since the Purchase Consideration is based on RNAV of DPSB which is net of all liabilities of DPSB, it is reasonable for FDSB to assume all liabilities upon Completion. Hence, the amount of indebtedness shall not affect the Purchase Consideration.

He informed that based on the reason listed below, DWA Advisory is of the view that the Purchase Consideration is fair:

- i) the valuation of the Industrial Complex and the Land is on the cost method as adopted by the Valuer as the primary method of valuation.
- ii) DWA advisory concurred with the view that the cost method mentioned above is appropriate and reasonable to be applied in determining the market value of the Industrial Complex and the Land. In addition, the comparison method which was assessed as the cross-check method has arrived at the same indicative market value which suggested that the market value of RM30.0 million as ascribed by the Valuer to the Industrial Complex and the Land appears reasonable.

c) Salient terms of the Conditional SSA

Encik Farid Rahman informed that DWA Advisory is of the view that the salient terms of the Conditional SSA are reasonable and not detrimental to the non-interested shareholders of LHIB.

d) Financial effects of the Proposed Acquisition of DPSB

He highlighted the following in relation to financial effects of the Proposed Acquisition:

- i) DWA Advisory noted that the Proposed Acquisition of DPSB does not have any financial effects on the issued share capital and the shareholdings of the substantial shareholders of LHIB as it does not involve any issuance of new shares in LHIB.
- ii) The Proposed Acquisition of DPSB does not have any material financial effects on the NA, NA per share and gearing of the Group.
- iii) DWA Advisory noted that the Group's consolidated earnings will drop to RM72,349,538 after Proposed Acquisition of DPSB. Notwithstanding that, the Proposed Acquisition is not expect to have any material effect on the consolidated earnings and EPS of LHIB Group for FYE 31 December 2017.

He then informed that DWA Advisory is of the view that the financial effects of the Proposed Acquisition of DPSB are not detrimental to the interest of the non-interested shareholders.

**5. ORDINARY RESOLUTION
- PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN BHD - continued**

5.6 REPORT BY THE INDEPENDENT ADVICE LETTER – continued

e) Industry overview, outlook and prospects

Encik Farid Rahman informed that as moving forward, the Proposed Acquisition of DPSB will ensure that the Group's business operations will continue steadily, minimizing the possibility of disruptions as the ownership of the Industrial Complex and the Land would now belong to the Group. Hence, DWA Advisory is of the view that the Proposed Acquisition of DPSB will likely have favourable prospects to the Group, and is therefore reasonable and not detrimental to the interest of the non-interested shareholders of LHIB.

f) Risk factors associated with the Proposed Acquisition of DPSB

Encik Farid Rahman informed that they note that the risk factor associated with the Proposed Acquisition of DPSB is on the possible delay or non-completion of the Proposed Acquisition of DPSB.

He said that however, as noted, the Board will take necessary steps to ensure that the conditions precedent to the Conditional SSA are met or waived within the stipulated timeframe.

Encik Farid Rahman said that in arriving at the conclusion and recommendation, DWA Advisory has considered the various factors as set out in the IAL, DWA Advisory is of the opinion that the terms of the Proposed Acquisition of DPSB are fair and reasonable and are not detrimental to the interest of the non-interested shareholders of LHIB.

He informed that DWA Advisory accordingly recommends the non-interested shareholders of LHIB to VOTE IN FAVOUR of this Ordinary Resolution pertaining to the Proposed Acquisition of DPSB at this EGM.

5.7 The Chairman thanked Mr. Michael Ho and Encik Farid Rahman for their presentations and advice on the Proposed Acquisition.

The Chairman then requested for a proposer and a seconder for this Ordinary Resolution.

The Ordinary Resolution was proposed by Mr. Jason Poh Lee Hong and seconded by Mr. Tan Lit Phing.

5.8 The Chairman proceeded to invite questions from the floor.

As there were no questions raised, the Chairman briefed the meeting on the proceeding of the polling process. He informed that representatives from Quantegic Services Sdn. Bhd., the Independent Scrutineer, would scrutinize the checking and counting of the votes cast. He then declared a short break for the counting and verification of the poll results.

5. ORDINARY RESOLUTION
- PROPOSED ACQUISITION OF DOMAIN PARTNERS SDN BHD - continued

5.9 At 11.40 a.m., the Chairman called the meeting to order for declaration of the polling results. He informed that he had received from the scrutineer the results which he announced as follows:

	Total	Total Percentage
For	16,472,500	100.00
Against	0	0.00
	<hr/>	<hr/>
	16,472,500	100.00
Abstain	697,322	
Spoilt	0	
Total Cast	<hr/> <hr/>	
	17,169,822	

Based on the voting results, the Chairman declared that the following motion for the Proposed Acquisition of Domain Partners Sdn. Bhd. be and hereby carried:

“Proposed acquisition of 500,000 ordinary shares of Domain Partners Sdn Bhd (“DPSB”) representing the entire share capital of DPSB by Favourite Design Sdn bhd (“FDSB”) from Chua Lee Seng, Tok Heng Leong, Neoh Cher Leong, Chua Yong Haup, Chua Yong Hock, Soo Tee Heng, Tan Bee Eng and Tok Soon Hing (“Vendors”) for a purchase consideration of RM19,738,000, subject to adjustments as stated in the conditional share sale agreement dated 26 May 2017 entered into between FDSB and the Vendors (“Proposed Acquisition of DPSB”).”

“THAT, subject always to the approvals and consent of all relevant regulatory authorities or parties being obtained (if required), approval be and is hereby given to the Company’s wholly-owned subsidiary, FDSB to acquire 500,000 ordinary shares of DPSB representing the entire share capital of DPSB by FDSB from the Vendors, subject to the conditions and upon the terms set out in the conditional share sale agreement dated 26 May 2017 and any supplemental agreements thereto entered into between FDSB and the Vendors.”

“AND THAT the board of directors of LHIB and FDSB (“Boards”) be and are hereby authorised to give full effect to the Proposed Acquisition of DPSB with full powers to assent to any terms, conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Boards may deem necessary or expedient in the best interests of the Company and FDSB and to do all acts, deeds and things and to execute, sign and deliver for and on behalf of the Company and FDSB all such documents as may be necessary and/or expedient in the best interests of the Company and FDSB.”

6. ADJOURNMENT OF MEETING

There being no other matters, the Chairman declared the Meeting closed at 11.45 a.m. and thanked all present.

CONFIRMED BY

Lan Haw Chong @ Lau Haw Chong
 Independent Non-Executive Chairman