THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has only conducted limited review on the contents of Part B of this Circular pursuant to the Paragraph 4.1 of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities and has not perused the contents of the Proposed Exemption (as defined herein) in Parts A and C of this Circular prior to its issuance.

Bursa Securities takes no responsibility for the contents of this Circular and valuation report, 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.

The Securities Commission Malaysia ("**SC**") had on 27 November 2025 notified that it has no further comments to the contents of this Circular in relation to the Proposed Exemption (as defined herein) under subparagraph 4.08(3)(f) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("**Rules**") and the independent advice letter ("**IAL**") for the Proposed Exemption under subparagraph 4.08(3)(i) of the Rules respectively. However, such notification shall not be taken to suggest that the SC recommends the Proposed Exemption and agrees with the recommendation of the independent adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Circular and the IAL. The SC is not responsible for the contents of this Circular and the IAL, does not represent that this Circular and the IAL are accurate or complete and disclaims any liability for any loss arising from, or due to, your reliance on this Circular and the IAL.

LOTUS CIRCULAR BERHAD
(formerly known as MESB Berhad)
(Registration No.: 199501008356 (337554-D))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED ACQUISITIONS (AS DEFINED HEREIN) AND PROPOSED EXEMPTION (AS DEFINED HEREIN), COLLECTIVELY REFERRED TO AS THE "PROPOSALS"

PART B

PROPOSED NEW SHAREHOLDERS' MANDATE (AS DEFINED HEREIN)

PART C

INDEPENDENT ADVICE LETTER BY THE INDEPENDENT ADVISER TO THE NON-INTERESTED SHAREHOLDERS OF LOTUS CIRCULAR BERHAD ("LCB") (FORMERLY KNOWN AS MESB BERHAD) IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

KAF INVESTMENT BANK BERHAD
Registration No. 197401003530 (20657-W)

Independent Adviser

DWA advisory

DWA ADVISORY SDN BHD
(Registration No. 201301002419 (1032257-D))

The Extraordinary General Meeting ("**EGM**") of LCB will be held at Eugenia Ballroom, Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya and virtually by way of electronic means using Remote Participation and Voting facilities at https://www.dvote.my operated by Dvote Services Sdn Bhd (Domain Registration No. with MYNIC: D6A434007) on Monday, 22 December 2025 at 10:00 a.m. or at any adjournment thereof.

The Proxy Form should be deposited at the office of the Poll Administrator, Dvote Services Sdn Bhd at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan or electronically lodged by email to dvoteservice@gmail.com or via the Poll Administrator's e-Proxy Form platform at https://www.dvote.my, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from participating and voting at the EGM should you subsequently wish to do so.

IMPORTANT DATES

Last date and time for lodging the Proxy Form	:	Saturday, 20 December 2025 at 10:00 a.m. or any adjournment thereof
Date and time for the EGM	:	Monday, 22 December 2025 at 10:00 a.m. or at any adjournment thereof

This Circular is dated 5 December 2025

PART A

(I) PROPOSED ACQUISITIONS BY LOTUS CIRCULAR BERHAD (FORMERLY KNOWN AS MESB BERHAD) ("LCB") OF THE ENTIRE EQUITY INTEREST IN EARTHWISE RESOURCES SDN BHD FROM LOTUS ESSENTIAL SDN BHD ("LESB") AND THE ENTIRE EQUITY INTEREST IN EXPERT RESOURCE MANAGEMENT SDN BHD FROM DATUK WONG SAK KUAN ("DWSK"), CHEN, JIANHUA ("CJH") AND LEE WAI FUN ("LWF") FOR A TOTAL PURCHASE CONSIDERATION OF RM100,000,000 TO BE SATISFIED VIA A COMBINATION OF CASH CONSIDERATION OF RM35,011,000 AND THE ISSUANCE OF 156,600,000 NEW ORDINARY SHARES IN LCB ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.415 PER CONSIDERATION SHARE ("PROPOSED ACQUISITIONS"); AND

(II) PROPOSED EXEMPTION FOR DWSK, LESB AND THE PERSONS ACTING IN CONCERT WITH THEM (WHO HOLD SHARES IN LCB CURRENTLY OR UPON ISSUANCE OF THE CONSIDERATION SHARES OR WHO IS THE DIRECTOR OF LCB PURSUANT TO SUBSECTION 216(2) OR 216(3) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA")), NAMELY CJH, LWF, YAU MING TECK AND WONG YU PERNG UNDER SUBPARAGRAPH 4.08(1)(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ISSUED BY THE SECURITIES COMMISSION MALAYSIA PURSUANT TO SECTION 377 OF THE CMSA, FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR THE REMAINING ORDINARY SHARES IN LCB NOT ALREADY OWNED BY THEM UPON ISSUANCE OF THE CONSIDERATION SHARES ("PROPOSED EXEMPTION").

PROPOSED ACQUISITIONS AND PROPOSED EXEMPTION ARE COLLECTIVELY REFERRED TO AS THE "PROPOSALS"

PART B

PROPOSED NEW SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE FOLLOWING THE COMPLETION OF THE PROPOSED ACQUISITIONS

PART C

INDEPENDENT ADVICE LETTER BY THE INDEPENDENT ADVISER TO THE NON-INTERESTED SHAREHOLDERS OF LCB IN RELATION TO THE PROPOSALS

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DEFINITIONS

In this Circular, unless otherwise indicated, the following words and abbreviations shall have the following meanings:-

Acquiree Companies	:	Expert and Earthwise, collectively
Act	:	The Companies Act 2016
AER or Valuer	:	Asia Equity Research Sdn. Bhd. [Registration No.: 201401027762 (1103848-M)], being the independent business valuer
AGM	:	Annual general meeting
Asia KG	:	Asia KG Fibre Supplier Sdn Bhd [Registration No.: 200301002264 (604684-X)]
Board	:	Board of directors of LCB
Bursa Securities	:	Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)]
Cash Consideration	:	The cash consideration of RM35,011,000 pursuant to the Proposed Acquisitions
CCC	:	Certificate of Completion and Compliance
CF	:	Certificate of Fitness
Circular	:	This circular dated 5 December 2025 to the shareholders of LCB
CJH	:	Chen, JianHua
CMSA	:	Capital Markets and Services Act 2007
Completion Date	:	Completion date of the SPA
Consideration Shares	:	New LCB Shares to be allotted and issued pursuant to the Proposed Acquisitions
Director(s)	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, and shall have the meaning given in subsection 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a director of the Company or its subsidiary or holding company, or a chief executive of the Company or its subsidiary or holding company
DWA Advisory or Independent Adviser	:	DWA Advisory Sdn Bhd [Registration No: 201301002419 (1032257-D)]
DWSK or the Ultimate Offeror	:	Datuk Wong Sak Kuan
Earthwise	:	Earthwise Resources Sdn Bhd [Registration No.: 200101020685 (556442-T)]
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
Expert	:	Expert Resource Management Sdn Bhd [Registration No.: 202001041814 (1398135-U)]
Expert Group	:	Expert and its wholly-owned subsidiary, collectively
FCFE	:	Free cash flow to equity
Formidex	:	Formidex Sdn Bhd [Registration No.: 201401022966 (1099052-V)]

Forum	:	Forum Pacific Sdn Bhd [Registration No.: 202201017732 (1463429-T)]
FPE	:	Financial period ended
FRSB	:	Future Recycle Sdn Bhd [Registration No.: 201701008724 (1222889-X)]
FYE	:	Financial year ended/ending
Government	:	Government of Malaysia
Guaranteed Period	:	The FYEs 30 April 2025/30 June 2025 and 30 April 2026/30 June 2026, for the purpose of the Profit Guarantee
Interested Directors	:	DWSK, CJH and Wong Yu Perng, collectively
Interested Parties	:	DWSK, LWF and Yau Ming Teck, collectively
Issue Price	:	Issue price of RM0.415 per Consideration Share
KAF IB or Principal Adviser	:	KAF Investment Bank Berhad [Registration No.: 197401003530 (20657-W)]
LCB or the Company or the Purchaser	:	Lotus Circular Berhad (formerly known as MESB Berhad) [Registration No.: 199501008356 (337554-D)]
LCB Group or Group	:	LCB and its subsidiaries, collectively
LCB Share(s) or Share(s)	:	Ordinary share(s) in the Company
LE	:	LE Resource Management Sdn Bhd [Registration No.: 202001032735 (1389056-T)]
LEL	:	LE Logistics Sdn Bhd [Registration No.: 202001032436 (1388756-D)]
LESB or the Offeror	:	Lotus Essential Sdn Bhd [Registration No.: 200501022013 (704143-U)]
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	7 November 2025, being the latest practicable date prior to the printing of this Circular
LTD	:	18 December 2024, being the last full trading day immediately preceding the date of the announcement of the Proposals on 19 December 2024
LWF	:	Lee Wai Fun
Main Market	:	Main Market of Bursa Securities
Major Shareholder(s)	:	A person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is:- (a) 10% or more of the total number of voting shares in the Company; or (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. This includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a major shareholder of LCB as defined above or any other company which is a subsidiary or holding company of LCB. For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act
Mandatory Offer	:	The mandatory take-over offer for the remaining LCB Shares not already owned by DWSK, LESB and their PACs upon issuance of the Consideration Shares
MRSB	:	MESB Resources Sdn Bhd [Registration No.: 202101004564 (1404863-M)]

NA	:	Net assets
NU	:	N.U. Recycle Sdn Bhd [Registration No.: 200701038366 (796396-X)]
PACs	:	Persons acting in concert with DWSK and LESB (who hold shares in LCB currently or upon issuance of the Consideration Shares or who is the director of LCB pursuant to subsection 216(2) or 216(3) of the CMSA) in relation to the Proposed Exemption as at the LPD, namely CJH, LWF, Yau Ming Teck and Wong Yu Perng
PAT	:	Profit after tax
PBT	:	Profit before tax
PER	:	Price-to-earnings multiple
Profit Guarantee	:	A two (2)-year profit guarantee of RM16.0 million in aggregate on the PAT of the Acquiree Companies for the FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026
Proposals	:	Proposed Acquisitions and Proposed Exemption, collectively
Proposed Acquisitions	:	Proposed acquisition by LCB of the entire equity interests in Earthwise and Expert for the Purchase Consideration to be satisfied via a combination of Cash Consideration and issuance of 156,600,000 Consideration Shares at the Issue Price
Proposed Exemption	:	Proposed exemption for DWSK, LESB and their PACs under subparagraph 4.08(1)(a) of the Rules from the obligation to undertake a Mandatory Offer upon issuance of the Consideration Shares
Proposed New Shareholders' Mandate	:	Proposed new shareholders' mandate for additional RRPTs expected to be entered into by the LCB Group with the Related Parties following the completion of the Proposed Acquisitions
PRSB	:	Primahir Recycle Sdn Bhd [Registration No.: 200301034792 (637213-M)]
Purchase Consideration	:	The Purchase Consideration of RM100,000,000 pursuant to the Proposed Acquisitions
Recycling Business	:	Waste recycling business
Related Parties	:	Companies related to DWSK, namely Forum, LE, LEL, RISB, SFN, Asia KG and FRSB
RISB	:	Ria Insan Sdn Bhd [Registration No.: 199501005817 (335013-D)]
RM and sen	:	Ringgit Malaysia and sen, respectively
RRPTs	:	Recurrent related party transactions of a revenue and/or trading nature
Rules	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC pursuant to section 377 of the CMSA
SC	:	Securities Commission Malaysia
SFN	:	Sing Foong Niap Engineering Sdn Bhd [Registration No.: 200401021935 (660440-D)]
SPA	:	The conditional share purchase agreement dated 19 December 2024 entered into between the Company and the Vendors, as supplemented by the supplemental letter dated 18 June 2025 and the second supplemental letter dated 17 November 2025
sq. ft.	:	Square feet

Tudor	:	Tudor Energy Sdn Bhd [Registration No.: 202201024635 (1470332-H)], a wholly-owned subsidiary of Expert
Valuation Report	:	The valuation report dated 20 November 2024 issued by AER in relation to the valuation on the Acquiree Companies
Vendors	:	Collectively, DWSK, CJH, LWF and LESB
Waier	:	Waier Trading Sdn Bhd [Registration No.: 200201034340 (602005-D)]

MAJOR CUSTOMERS

The identities of certain major customers of the Acquiree Companies are not disclosed as they have not given their consents for their names to be disclosed in this Circular. For clarity, all the companies disclosed below are not related to the major shareholders and/or Directors of LCB Group, save for Company I.

Company A	:	It is a company involved in the manufacturing and sale of paper and paper related products
Company B	:	It is a company involved in the business of scrap metal dealer, provision of transport services and building construction
Company C	:	It is a company mainly involved in the manufacturing of all kinds of scrap metal and to produce copper ingots
Company D	:	It is a company engaged in the business of trading, processing and supplying recycled wood chips, biomass and related wood products derived from reclaimed timber waste
Company E	:	It is a company engaged in the business of trading, processing and supplying recycled wood chips, biomass and related wood products derived from reclaimed timber waste
Company F	:	It is a company involved in the trading of scrap and recyclable products
Company G	:	It is a company involved in the waste management and recycle services for plastic, paper, pellets and related products
Company H	:	It is a company mainly involved in manufacturing of semi-finished poly pipes, other plastic products and finished plastic product
Company I	:	It is a company involved in the manufacturing of pulp, paper and paperboard as well as providing roll regrinding and reconditioning services in relation to paper industry. For clarity, DWSK is a director of Company I but not a shareholder of Company I
Company J	:	It is a company involved in the manufacturing and trading of window covering products and trading of plastic products
Company K	:	It is a company mainly involved in the sale of construction materials, hardware, paints and glass
Company L	:	It is a company involved in the manufacturing of aluminium composite panel and providing transport services
Company M	:	It is a company engaged in the business of manufacture of plastic products

Words denoting the singular number only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include a body of persons, corporate or unincorporated (including a trust). Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated. Any reference to any statute is a reference to that statute as for the time being amended.

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PART A - LETTER TO THE SHAREHOLDERS OF LCB IN RELATION TO THE PROPOSALS

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APPENDICES

EXECUTUIVE SUMMARY

This Executive Summary only highlights the key information of Part A of this Circular. It does not contain all the information that may be important to you. You should read and understand the contents of Part A of this Circular before making a decision on the Proposals.

Key information	**Description**	**Reference to Part A of the Circular**
Summary of the Proposals	(i) The Proposed Acquisitions entail the acquisitions by LCB of the entire equity interests in Earthwise and Expert from the Vendors for the Purchase Consideration, subject to the terms and conditions as set out in the SPA.	Section 2.0
	(ii) Proposed exemption for DWSK, LESB and their PACs, under subparagraph 4.08(1)(a) of the Rules from the obligation to undertake a Mandatory Offer upon issuance of the Consideration Shares.	Section 3.0
Rationale for the Proposals	**<u>Proposed Acquisitions</u>** The Proposed Acquisitions offer the LCB Group a strategic opportunity to expand its Recycling Business footprint, aligning with its long-term plan to boost revenue from this segment while reducing reliance on retail business. This would enable the Group to rapidly increase its market share, strengthen its competitive positioning, leverage its operational expertise for economies of scale, and ultimately streamlining its business processes, thereby resulting in cost savings and improving its negotiations with suppliers and customers. In addition, the Profit Guarantee given pursuant to the Proposed Acquisitions will, to a great extent, provide assurance to the Group on the profitability of the Acquiree Companies during the transition period following the completion of the Proposed Acquisitions. Further, the partial settlement of the Purchase Consideration through the Consideration Shares enables the Group to acquire the Acquiree Companies without any immediate impact on its cash position and at the same time, strengthen its capital base. **<u>Proposed Exemption</u>** The Proposed Exemption will relieve DWSK, LESB and their PACs from the obligation to undertake the Mandatory Offer upon issuance of the Consideration Shares as it is not their intention to undertake the Mandatory Offer. As the Proposed Acquisitions and the Proposed Exemption are inter-conditional upon each other, the Proposed Exemption is necessary for the successful completion of the Proposed Acquisitions.	Section 4.0
Approvals required	The Proposals are subject to the following approvals being obtained:- (i) Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisitions on the Main Market; (ii) the SC for the Proposed Exemption, of which the approval will be sought after the EGM; (iii) non-interested shareholders of the Company for the Proposals at the EGM to be convened; and (iv) any other relevant authorities and/or parties, if required.	Section 9.0

Key information	**Description**	**Reference to Part A of the Circular**
Directors' statement / recommendation	The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale, financial effects, terms of the SPA and risk associated with the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, on the basis above, the Board (save for the Interested Directors) recommends you to vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.	Section 14.0
Audit and Risk Management Committee	The Audit and Risk Management Committee of LCB (save for DWSK), after having considered all relevant aspects of the Proposals, including but not limited to the rationale and financial effects, the salient terms of the SPA and the basis and justification for the Purchase Consideration as well as the views of the Independent Adviser, is of the opinion that the Proposals are:- (i) in the best interest of LCB; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to the interest of non-interested shareholders of LCB.	Section 15.0

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PART A

LETTER TO THE SHAREHOLDERS OF LCB IN RELATION TO THE PROPOSALS

LOTUS CIRCULAR BERHAD
(formerly known as MESB Berhad)
(Registration No.: 199501008356 (337554-D))
(Incorporated in Malaysia)

Registered Office:
Unit 521, 5th Floor, Lobby 6
Block A, Damansara Intan
No.1, Jalan SS20/27
47400 Petaling Jaya
Selangor

5 December 2025

BOARD OF DIRECTORS

Chua Jin Kau (Executive Chairman)
Loke Lee Ping (Executive Director / Chief Executive Officer)
Lee Kok Heng (Independent Non-Executive Director)
Dr Norhanim Binti Mat Sari (Independent Non-Executive Director)
Low Koon Min (Independent Non-Executive Director)
Dato' Lee Ban Seng (Independent Non-Executive Director)
Chen, JianHua (Independent Non-Executive Director)
Datuk Wong Sak Kuan (Non-Independent Non-Executive Director)
Wong Yu Perng (Non-Independent Non-Executive Director)

To: The Shareholders of LCB

Dear Sir/Madam,

(I) PROPOSED ACQUISITIONS; AND
(II) PROPOSED EXEMPTION

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1.0 INTRODUCTION

1.1 On 19 December 2024, KAF IB had, on behalf of the Board, announced that the Company is proposing to undertake the Proposals and on even date, the Company had entered into the SPA with the Vendors in relation to the Proposed Acquisitions.

1.2 The Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements. Pursuant thereto, the Company had on 19 December 2024 appointed DWA Advisory as the Independent Adviser to advise the non-interested directors and non-interested shareholders of LCB on the Proposed Acquisitions. In addition, DWA Advisory has also been appointed as the Independent Adviser to advise the non-interested directors and non-interested shareholders of LCB on the Proposed Exemption pursuant to subparagraph 4.08(3) of the Rules.

1.3 On 18 June 2025, KAF IB had, on behalf of the Board, announced that the Company had exchanged the letters dated 18 June 2025 with the Vendors to extend the Conditional Period (as defined in Section 2.2 of the Appendix I) from 18 June 2025 to 18 December 2025.

1.4 On 17 November 2025, KAF IB had, on behalf of the Board, announced that the Company had exchanged the letters dated 17 November 2025 with the Vendors to further extend the Conditional Period (as defined in Section 2.2 of the Appendix I) from 18 December 2025 to 18 June 2026.

1.5 The SC had on 27 November 2025, notified that it has no further comments to the contents of this Circular in relation to the Proposed Exemption and the Independent Advice Letter as set out in Part C of this Circular on the Proposed Exemption.

1.6 On 28 November 2025, KAF IB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 27 November 2025, resolved to approve the listing of and quotation for 156,600,000 Consideration Shares on the Main Market. Further details of the conditions imposed by Bursa Securities as well as the status of compliance in respect thereof are set out in Section 9.0(i), Part A of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF LCB WITH THE DETAILS OF THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED HEREWITH IN THIS CIRCULAR.

SHAREHOLDERS OF LCB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND INDEPENDENT ADVICE LETTER FROM DWA ADVISORY CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2.0 DETAILS OF THE PROPOSED ACQUISITIONS

2.1 Background information of the Proposed Acquisitions

The Proposed Acquisitions entail the acquisitions by LCB of the entire equity interests in the Acquiree Companies, comprising:-

(i) 1,300,000 ordinary shares in Earthwise from LESB for a purchase consideration of RM68,000,000, to be satisfied via a combination of cash consideration of RM23,807,480 and the issuance of 106,488,000 Consideration Shares at the Issue Price; and

(ii) 1,000,000 ordinary shares in Expert from DWSK, LWF and CJH for a purchase consideration of RM32,000,000, to be satisfied via a combination of cash consideration of RM11,203,520 and the issuance of 50,112,000 Consideration Shares at the Issue Price in the following manner:-

	Total		**Cash consideration**		**Value of Consideration Shares**		**No. of Consideration Shares**	
Name	**RM**	**%**	**RM**	**%**	**RM**	**%**	**Number**	**%**
DWSK	17,600,000	55.00	6,161,936	55.00	11,438,064	55.00	27,561,600	55.00
CJH	11,200,000	35.00	3,921,232	35.00	7,278,768	35.00	17,539,200	35.00
LWF	3,200,000	10.00	1,120,352	10.00	2,079,648	10.00	5,011,200	10.00
Total	**32,000,000**	**100.00**	**11,203,520**	**100.00**	**20,796,480**	**100.00**	**50,112,000**	**100.00**

subject to the terms and conditions as set out in the SPA. Please refer to the Appendix I for the salient terms of the SPA.

2.2 Information on Earthwise

Earthwise was incorporated in Malaysia on 16 August 2001 as a private limited company under the Companies Act, 1965 and is deemed registered under the Act. Earthwise is principally engaged in the sales and purchases of recycling material. As at the LPD, Earthwise has an issued share capital of RM1,300,000 comprising 1,300,000 ordinary shares.

Further information on Earthwise is set out in Appendix III of this Circular.

2.3 Information on Expert

Expert was incorporated in Malaysia on 17 December 2020 as a private limited company under the Act. Expert is principally engaged in the remediation activities (manufacturing of recycled materials) and other waste management services. As at the LPD, Expert has an issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares.

Further information on Expert is set out in Appendix IV of this Circular.

2.4 Information on LESB

LESB was incorporated in Malaysia on 26 July 2005 as a private limited company under the Companies Act, 1965 and is deemed registered under the Act. The principal activities of LESB are those of investment holding, involvement in import, export and trading of steam coal, corn starch, tapioca starch, wheat, diesel and building material, other services incidental to land transportation including international freight forwarding agent and warehousing as well as carry on all kind of agricultural activities. As at the LPD, LESB has an issued share capital of RM13,205,000, comprising 13,205,000 ordinary shares.

The directors and shareholders of LESB are DWSK and Wong Kim Loong. Their respective shareholdings in LESB are as follows:-

		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
DWSK	Malaysian	13,080,000	99.05	-	-
Wong Kim Loong	Malaysian	125,000	0.95	-	-

2.5 Basis and justifications of arriving at the Purchase Consideration

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

(i) the future earnings potential of the Acquiree Companies as highlighted in Section 2.5(ii)(cc), Part A of this Circular as well as the outlook and prospects of the waste recycling industry, where the Acquiree Companies are involved in, as more particularly set out in Section 6.3, Part A of this Circular;

(ii) the fair equity value ranges ("**Valuation Ranges**") as appraised by AER, vide the Valuation Report using FCFE approach as follows:-

(a) fair equity value range for Earthwise of between RM62.4 million and RM71.3 million; and

(b) fair equity value range for Expert Group of between RM29.1 million and RM33.1 million.

The FCFE approach has been selected by AER as the primary valuation method for the entire equity interests of the Acquiree Companies as it accommodates the periods of the Profit Guarantee, from FYEs 30 April 2025/30 June 2025 to 30 April 2026/30 June 2026, and incorporates the financial projections of the Acquiree Companies for the three (3) financial years following the periods of the Profit Guarantee, from FYEs 30 April 2027/30 June 2027 to 30 April 2029/30 June 2029 ("**Financial Projections**") as follows:-

<u>Earthwise</u>

	FYE 30 April (RM'000)				
	2025	**2026**	**2027**	**2028**	**2029**
Revenue (1)	39,771	43,682	44,557	45,453	46,372
PAT (2)	5,103	7,480	7,537	7,595	7,654
Net margin (%)	12.8	17.1	16.9	16.7	16.5

Notes:-

(1) *Earthwise adopted a bottom-up approach to project its revenue. The process involved assessing the capacity of each collection centre by recycling material type. For each material and location, the estimated annual output was determined and multiplied by the respective average selling price applicable to that material.*

The estimated annual output for paper, plastic and scrap ferrous metal is estimated to increase by approximately:-

- *20.0%, 15.7% and 0% respectively in FYE 30 April 2025 compared to FYE 30 April 2024; and*

- *2.1%, 2.3% and 1.7% a year respectively from FYEs 30 April 2026 to FYE 30 April 2029.*

The estimated annual output for wood is estimated to begin with an initial volume of 50,952 metric tonnes in FYE 30 April 2025. Thereafter, it is assumed to increase approximately 11.0% a year from FYE 30 April 2025 to FYE 30 April 2029, based on the anticipated orders.

Subsequently, the projected revenues were then aggregated to arrive at Earthwise's total projected revenue for each financial year.

(2) *The following key assumptions were applied in arriving the projected PAT:-*

- *the administrative expenses are projected to account for approximately 15% to 16% of the projected revenue annually;*

- *the other expenses are projected to increase at a rate of 2% per annum; and*

- *a corporate tax rate of 24% is applied on the projected annual PBT.*

<u>Expert</u>

	FYE 30 June (RM'000)				
	2025	**2026**	**2027**	**2028**	**2029**
Revenue [(1)]	25,148	12,254	12,622	13,000	13,391
PAT [(2)]	955	210	227	243	261
Net margin (%)	3.8	1.7	1.8	1.9	2.0

Notes:-

(1) *Expert projected its revenue based on its audited financial results for FYE 30 June 2024 and assumed a normal organic growth rate of 3% for the projected revenue for each financial year.*

(2) *The following assumptions are used in order to arrive at the projected PAT:-*

- *the administrative expenses are projected to account for approximately 9% to 19% of the projected revenue annually; and*

- *a corporate tax rate of 24% is applied on the projected annual PBT.*

<u>Tudor</u>

	FYE 30 June (RM'000)				
	2025	**2026**	**2027**	**2028**	**2029**
Revenue [(1)]	6,809	6,877	6,946	7,015	7,085
PAT [(2)]	2,124	2,084	2,042	1,998	1,951
Net margin (%)	31.2	30.3	29.4	28.5	27.5

Notes:-

(1) *Tudor projected its revenue based on its audited financial results for FYE 30 June 2024 and assumed a normal organic growth rate of 3% for the projected revenue for each financial year.*

(2) *The following assumptions are used in order to arrive at the projected PAT:-*

- *the administrative expenses are projected to account for approximately 22% to 24% of the projected revenue annually; and*

- *a corporate tax rate of 24% is applied on the projected annual PBT.*

For the avoidance of doubt, the Financial Projections exclude transactions among the Acquiree Companies and have been independently reviewed by AER. Based on AER's review, AER has found no evidence to suggest that the assumptions made by the directors of the Acquiree Companies lack a reasonable basis for the preparation of the Financial Projections. Instead, AER is of the view that, the assumptions underlying the Financial Projections are reasonable based on the justifications by the directors / management of the Acquiree Companies. AER further confirms that the assumptions are appropriately supported, the accounting policies applied are aligned with the applicable accounting standards, as well as the historical financial data used provides a reasonable and reliable foundation for the Financial Projections. Nonetheless, due caution is advised, future economic uncertainties, may impact the Financial Projections significantly.

In addition, the Board (save for the Interested Directors) is of the opinion that the Financial Projections and their bases and assumptions are reasonable and realistic, having considered the Report on Review of Profit Forecast and Projection dated 20 November 2024 issued by AER. This aforesaid Report is appended as Appendix 12 of the Valuation Report as contained in the Appendix II of this Circular.

In arriving at the Valuation Ranges, AER has adopted, amongst others, the following parameters:-

(aa) equity discount rate (cost of equity) of 9.20%. The summary of the key assumptions in arriving at the equity discount rate is as follows:-

Financial metrics	%	Descriptions
Annual expected market return ("**R_m**")	9.187	This represents the expected rate of return from investing in a portfolio that reflects the entire equity market. Based on the data extracted from Bloomberg on 18 November 2024, the average expected market rate of return in Malaysia was 9.187% per annum.
Annual risk-free rate ("**R_f**")	3.858	This represents the expected rate of return from a risk-free investment. The best available estimate is the yield of 10-year Malaysian Government Securities. Based on the data extracted from Bloomberg on 18 November 2024, the said yield was 3.858%.
Levered beta ("**β**")	0.998	To compute the levered beta, AER first determined the unlevered industry beta for the recycling sector using Bloomberg data. AER then computed the levered beta based on the on Acquiree Companies' capital structure.
Cost of equity ("**K_e**")	9.176	This represents the return that an equity investor expects from the cash flows generated by a business, considering the associated risks. AER calculated the cost of equity using the Capital Asset Pricing Model ("**CAPM**") and arrived at this value and rounded to 9.20%. The CAPM formula is $K_e = R_f + \beta (R_m - R_f)$

In addition, AER incorporated a discount for lack of marketability ("**DLOM**") of 20% to 30%, reflecting the illiquidity risk associated with the private companies (i.e. Acquiree Companies) to arrive at the maximum and minimum of the Valuation Ranges. This approach was guided by the recommendation from the professional body, Chartered Financial Analyst Institute's textbook, "Alternative Investments Portfolio Management (2014)", which discusses the methods for accounting for DLOM and supports an empirical discount range of 20% to 30%, as cited in the "CCH Business Valuation Guide";

(bb) the undiscounted terminal values of RM16.32 million, RM24.50 million and RM92.34 million for Expert, Tudor and Earthwise respectively were computed by dividing the free cash flow to equity projected for FYE 30 April 2029/30 June 2029 of RM1.501 million for Expert, RM2.254 million for Tudor and RM8.495 million for Earthwise, by the equity discount rate of 9.20%, based on the assumed annual steady state growth rate of 0%.

For the avoidance of doubt, although Tudor is a wholly-owned subsidiary of Expert, their valuations are prepared separately due to substantial differences in their operations and revenue streams. Expert primarily focuses on remediation activities and other waste management services whilst, Tudor is principally engaged in coal ash waste management services and processing recycled bricks using coal ash recovered by mixing it with cement, chipping stone and quarry waste. These distinct business models lead to unique cost structures, growth potential and risk profiles for each company. Thus, valuing Expert and Tudor separately, and then combining their individual valuations, ensures that each entity's specific financial and operational characteristics are appropriately captured. This approach avoids oversimplifying their differences, providing a clearer and more precise valuation that reflects each company's fair value within the group.

For information purpose, a terminal value is based on an annual steady state growth rate of 0%, following higher projected growth during FYEs 30 April 2025/30 June 2025 to 30 April 2029/30 June 2029 ("**Relevant Projection Period**"), with growth expected to return to a normalised level post-FYE 30 April 2029/30 June 2029, reflecting the Acquiree Companies entry into maturity phase following the Relevant Projection Period; and

The Board (save for the Interested Directors) is of the view that the terminal values are reasonable and realistic, after having considered the following:-

- a terminal growth rate of 0% was applied as a conservative assumption, reflecting the expectation that the Acquiree Companies will enter into maturity phase following the Relevant Projection Period. This conservative approach avoids overstating terminal value, thus improving the credibility of the valuation;

- by treating Tudor and Earthwise independently, the valuation better reflects their standalone financial and operational characteristics, avoiding oversimplifying and enhances transparency in the valuation, particularly useful in understanding the contribution of each company to the overall Expert Group's value; and

- the methodology is an established and widely accepted valuation method, aligns with industry best practices and are consistent with valuation guidance from sources.

(cc) the annual projected net margin for the Acquiree Companies between the Relevant Projection Period are as follows:-

- Earthwise of 12.8% to 17.1%;
- Expert of 1.7% to 3.8%; and
- Tudor of 27.5% to 31.2%.

The forward PAT of Earthwise is projected to contribute an average of 74% of the aggregate PAT of the Acquiree Companies between the Relevant Projection Period, while the remaining will be contributed by the Expert Group. Further information on the projection is set out in Appendix I of the Valuation Report as contained in the Appendix II of this Circular. Historically, Earthwise has been principally engaged in the sales and purchases of recycling materials, such as wastepaper, plastic scrap, and scrap ferrous metal. Since June 2024, Earthwise has expanded into the sale and purchase of wood chips, a new business activity projected to contribute approximately 34% to 44% to the projected gross profit of Earthwise during the Relevant Projection Period driven by the strong demand from customers seeking sustainable fuel alternatives to conventional non-recycled energy sources such as gas. In addition, this segment operates with higher margins due to lower production costs and strong demand dynamics and is expected to significantly enhance Earthwise's overall profitability. Meanwhile, the Expert Group is projected to experience stable growth between the Relevant Projection Period. Hence, Earthwise is projected to achieve a higher net margin whilst the Expert Group is anticipated to maintain a stable net margin.

The Board (save for the Interested Directors) is of the view that these projections are realistic and achievable, after having considered the following:-

- the new business ventures of Earthwise. Earthwise commenced a new business activity in June 2024 involving the purchase and sale of wood chips, which is projected to contribute approximately 34% to 44% of the gross profit of Earthwise during the Relevant Projection Period pursuant to the strong demand, specifically stemming from requests from potential customers who are seeking recycled wood chips, which was substantiated by the purchase order for a total of 700,000 metric tonnes of wood chips, which significantly exceeds the projected volume of approximately 358,320 metric tonnes over the Relevant Projection Period. In addition, this segment operates with higher margins due to lower production costs and strong demand dynamics and is expected to significantly enhance Earthwise's overall profitability;

- Expert's projected net margins are considered reasonable as they are based on an organic growth rate of 3% per annum;

- Tudor's projected net margins are supported by its historical net margin of 42.1% and 29.3% for 30 June 2023 and 2024, respectively and its high margin business model, which involves low operating costs in providing coal ash waste management services; and

- the future plans of the Acquiree Companies as highlighted in Section 6.4, Part A of this Circular.

(iii) the Purchase Consideration, which represents an implied PER of 12.5 times based on an average profit guarantee of RM8.0 million per year. For information purpose, this implied PER is a valuation metric calculated by dividing the Purchase Consideration by the average Profit Guarantee per annum.

The Board (save for the Interested Directors) is of the opinion that the Profit Guarantee is reasonable and realistic, after taking into consideration the following:-

(a) forward PERs and historical PERs

The forward PERs of the Acquiree Companies calculated based on:-

➢ their projected PATs for FYE 30 April 2025/30 June 2025 and their respective Valuation Ranges are as follows:-

	Minimum Valuation Ranges (times)	**Maximum Valuation Ranges (times)**
Earthwise	12.24	13.98
Expert Group	9.48	10.78

➢ their projected PATs for FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026 and their respective Purchase Consideration are as follows:-

	FYEs 30 April/30 June	
	2025 (times)	**2026 (times)**
Earthwise	12.24	13.98
Expert Group	9.48	10.78

The above forward PERs as appraised by AER, falls within the PER of the comparable companies of between 8.1 times and 18.7 times.

The historical PERs of the Acquiree Companies calculated based on their historical PATs and their respective Purchase Consideration are as follows:-

	FYEs 30 April/30 June		
	2022 (times)	**2023 (times)**	**2024 (times)**
Earthwise	31.63	45.33	119.30
Expert Group	13.97	11.23	9.28
Comparable companies	8.10 – 18.70		

For clarity, the forward PER is a more appropriate valuation metric for evaluating growth companies compared to the historical PER, as it reflects projected profitability and captures expected year-to-year profit growth. The projected PAT used in the forward PER calculation therefore provides a more meaningful basis for comparison with peer companies than the historical PAT, particularly when a company is undergoing significant changes or expansion.

In this regard, Earthwise's forward PERs differ significantly from its historical PERs due to the commencement of its wood chips recycling business in June 2024, a new revenue stream that is expected to contribute significantly to its PATs during the Relevant Projection Period. This was substantiated by the purchase order for a total of 700,000 metric tonnes of wood chips, which significantly exceeds the projected volume of approximately 358,320 metric tonnes over the Relevant Projection Period, reflecting a conservative forecasting approach. This business was not part of Earthwise's operations during the historical period, and as such, the historical PERs do not reflect the growth potential from this new segment. In contrast, Expert Group's projected PATs reflect steady, organic growth over the Relevant Projection Period, without the impact of any new major business lines.

(b) outlook of the waste recycling industry as set out in Section 6.3, Part A of this Circular; and

(c) future prospects of the enlarged LCB Group (which includes the Acquiree Companies) as set out in Section 6.4, Part A of this Circular, with due consideration to the future earnings potential of the Acquiree Companies as highlighted in Section 2.5(i), Part A of this Circular.

<u>The mechanism of the Profit Guarantee is as follows:-</u>

➢ if the aggregate PAT of the Acquiree Companies during the Guaranteed Period of FYEs 30 April 2025/30 June 2025 and 30 April 2026/30 June 2026 shall be less than the Profit Guarantee of RM16.0 million, in such an event, the Vendors shall make good of the shortfall (based on the proportion of the Purchase Consideration) by paying to the Acquiree Companies the shortfall in cash within ninety (90) days from the date of the audited accounts of the respective Acquiree Company for the FYE 30 April 2026/30 June 2026 (whichever is later) ("**Accounts Date**"); and

- in the event the Acquiree Companies incur an aggregate net loss of any amount during the Guaranteed Period, the Vendors shall pay to the Acquiree Companies (based on the proportion of the Purchase Consideration) the amount equivalent to the Profit Guarantee of RM16.0 million, in cash within ninety (90) days from the Accounts Date.

The following scenarios serve to illustrate the mechanism of the Profit Guarantee:-

Scenario 1 : Assuming the Acquiree Companies achieve an aggregate PAT of RM20.0 million during the Guaranteed Period

Scenario 2 : Assuming the Acquiree Companies achieve an aggregate PAT of RM10.0 million during the Guaranteed Period

Scenario 3 : Assuming the Acquiree Companies incur an aggregate net loss of RM10.0 million during the Guaranteed Period

	Scenario 1	**Scenario 2**	**Scenario 3**
	RM'000	**RM'000**	**RM'000**
Aggregate PAT / (net loss) during the Guaranteed Period	20,000	10,000	(10,000)
Profit Guarantee	16,000	16,000	16,000
Shortfall payable by the Vendors	**-**	**(6,000)**	**(16,000)**
Shortfall payable by the Vendors within 90 days from the Accounts Date			
Earthwise			
- LESB	-	4,080	10,880
Expert Group			
- DWSK	-	1,056	2,816
- LWF	-	192	512
- CJH	-	672	1,792
	-	**6,000**	**16,000**

For the avoidance of doubt, inter-company transactions among the Acquiree Companies will be eliminated in determining the aggregate PAT for the purpose of computing the shortfall payable (if any) under the Profit Guarantee.

For clarity, the Vendors do not provide any security or collateral for the Profit Guarantee as the Company is allowed to settle the Cash Consideration within 36 months from the Completion Date, a period extending beyond the Guaranteed Period. Accordingly, should the Vendors fail to settle any shortfall in the Profit Guarantee, LCB has the right under the SPA to offset the unpaid shortfall against the Cash Consideration payable to the Vendors.

Premised on the above, the Board (save for the Interested Directors) is of the opinion that the Purchase Consideration is justifiable.

2.6 Basis and justification of arriving at the Issue Price

The Issue Price, was arrived at after taking into consideration, amongst others, the following:-

(i) the historical share prices of LCB; and

(ii) a discount of RM0.0035 or 0.84% to the five (5)-day volume-weighted average market prices of LCB Shares up to and including the LTD of RM0.4185.

The Board (save for the Interested Directors) is of the view that the issuance of the Consideration Shares is appropriate after taking into consideration the gearing ratio, level of borrowings and cash flow requirements of the Group as it will provide the Group with flexibility to utilise its existing financial resources for the working capital requirements and/or to fund the growth of the Group's businesses.

2.7 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the then existing LCB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution which may be declared, made or paid to the shareholders of LCB, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

The approval from Bursa Securities for the listing of and quotation for 156,600,000 Consideration Shares on the Main Market has been obtained vide its letter dated 27 November 2025, subject to the terms and conditions as set out in Section 9.0(i), Part A of this Circular.

2.8 Sources of funding

The Cash Consideration shall be funded by a combination of the Group's internally-generated funds and/or bank borrowings. As at the LPD, the Group has yet to finalise the proportions, and will determine at a later stage after taking into consideration the LCB Group's gearing level, prevailing interest costs and cash reserves.

Pursuant to the SPA, the Cash Consideration shall be settled by the Company within 36 months from the Completion Date. However, as at the LPD, no fixed payment schedule has been established, thereby providing LCB with the necessary financial flexibility to manage its payment obligations in accordance with the Group's available cash reserves and overall liquidity position. This arrangement ensures that the Company can optimise its financial resources while maintaining a prudent capital management approach. For clarity, LCB does not intend to settle the Cash Consideration immediately upon completion of the Proposed Acquisitions, but rather during the tenure of 36 months subject to its available cash reserves and overall liquidity position. If sufficient cash reserves are available, the Group may consider making partial payments of up to RM19.011 million towards the Cash Consideration prior to the end of the Guaranteed Period. Nevertheless, at this juncture, there is no intention to defer the entire payment until the end of the Guaranteed Period.

For avoidance of doubt, the Proposed Acquisitions are deemed completed upon the issuance and allotment of 156,600,000 Consideration Shares at the Issue Price to the Vendors even before settlement of the Cash Consideration.

2.9 Assumption of liabilities

LCB will not assume any liability, including contingent liabilities and guarantees, pursuant to the Proposed Acquisitions. The existing liabilities of the Acquiree Companies will be settled by the companies concerned in the ordinary course of their business.

2.10 Additional financial commitment required

Save for the Cash Consideration, there is no other financial commitment required in putting the Acquiree Companies on stream on the premise that the Acquiree Companies are already in operations and profitable.

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2.11 Date and original cost of investment

The respective original costs and dates of investment in the Acquiree Companies are as follows:-

Name	Date of investment	No. of shares	Original cost of investment (RM)
Expert			
DWSK	17 December 2020	65	65
	25 February 2022	45	45
	18 June 2022	549,890	549,890
			550,000
CJH	17 December 2020	35	35
	25 February 2022	35	35
	18 June 2022	349,930	349,930
			350,000
LWF	25 February 2022	20	20
	18 June 2022	99,980	99,980
			100,000
			1,000,000
Earthwise			
LESB	9 August 2016	500,000	1,200,000
	19 December 2017	800,000	800,000
			2,000,000

2.12 Public shareholding spread requirement

Pursuant to Paragraph 8.02(1) of the Listing Requirements, at least 25% of LCB's total listed Shares (excluding treasury shares) are required to be held by public shareholders. As at the LPD, the public shareholdings spread of LCB is approximately 61.30%. Upon completion of the Proposed Acquisitions, the public shareholding spread of LCB which is still above the requisite threshold of at least 25% of its total listed Shares to be held by public shareholders as follows:-

	As at the LPD	After the Proposed Acquisitions
Public shareholdings spread (%)	61.30	29.40

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3.0 DETAILS OF THE PROPOSED EXEMPTION

As at the LPD, DWSK directly holds 38,407,898 LCB Shares, representing approximately 26.62% of the total issued share capital of LCB.

Upon completion of the Proposed Acquisitions:-

(i) the shareholding of LESB in LCB is expected to increase from nil to 35.39%, where LESB will be obliged to undertake the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules;

(ii) the shareholding of DWSK, which includes the Shares held by LESB (a company in which DWSK holds a 99.05% controlling interest) in LCB, is expected to increase from 26.62% to 57.31%, where DWSK and LESB will be obliged to undertake the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules; and

(iii) the collective shareholdings of DWSK, LESB and their PACs in LCB are expected to increase from 38.70% to 70.60%, where DWSK, LESB and their PACs will be obliged to undertake the Mandatory Offer pursuant to subsection 218(3) of the CMSA read together with section 15 of the Malaysian Code on Take-Overs and Mergers 2016 and subparagraph 4.01(b) of the Rules,

as illustrated in the table below:-

	As at the LPD		**After the Proposed Acquisitions**	
	No. of Shares	**%**	**No. of Shares**	**(1) %**
DWSK	38,407,898	26.62	65,969,498	21.92
LESB	-	-	106,488,000	35.39
	38,407,898	26.62	172,457,498	57.31
PACs				
Yau Ming Teck (2)	11,324,206	7.85	11,324,206	3.76
LWF (3)	6,104,801	4.23	11,116,001	3.70
CJH (4)	-	-	17,539,200	5.83
Wong Yu Perng (5)	-	-	-	-
	17,429,007	12.08	39,979,407	13.29
Total	**55,836,905**	**38.70**	**212,436,905**	**70.60**

***Notes**:-*

(1) Based on the enlarged issued share capital of LCB of 300,894,425 Shares after the Proposed Acquisitions.

(2) He is deemed as a PAC to DWSK by virtue of paragraph 216(2)(a) of the CMSA and subparagraph 4.03(1)(a) of the Rules as he is a substantial shareholder of LCB and was the joint offeror with DWSK in the conditional mandatory take-over offer on LCB (whereby the notice of conditional mandatory take-over offer was served to LCB on 16 October 2020).

(3) She is deemed as a PAC to DWSK by virtue of subsection 216(2) of the CMSA as she is one of the Vendors under the SPA.

(4) He is deemed as a PAC to DWSK by virtue of subsection 216(2) of the CMSA as he is one of the Vendors under the SPA.

(5) He is deemed as a PAC to DWSK by virtue of paragraph 216(3)(h) of the CMSA as he is the Non-Independent Non-Executive Director of LCB and the son of DWSK.

Pursuant thereto, DWSK, LESB and their PACs will be obliged to undertake the Mandatory Offer pursuant to subsections 218(2) and 218(3) of the CMSA, section 15 of the Malaysian Code on Take-Overs and Mergers 2016 and paragraph 4.01 of the Rules. However, it is not the intention of DWSK, LESB and their PACs to undertake the Mandatory Offer as a result of the Proposed Acquisitions.

In this regard, DWSK, LESB and their PACs intend to seek an exemption from the SC pursuant to subparagraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer, after obtaining the approval from the non-interested shareholders of the Company for the Proposed Exemption, by way of poll, at the forthcoming EGM.

4.0 RATIONALE OF THE PROPOSALS

4.1 Proposed Acquisitions

The Proposed Acquisitions present a strategic opportunity for the LCB Group to expand its footprint within the Recycling Business. This aligns with the Group's long-term strategy to deepen its penetration into the Recycling Business, thereby increasing revenue contributions from this business segment and reducing reliance on its retail business. In essence, this would enable the Group to swiftly increase its market share within the Recycling Business industry, further solidifying its position as a key player. The resulting growth in market share is anticipated to strengthen the LCB Group's competitive position, enabling it to leverage economies of scale through building on its existing operational expertise and scale in the Recycling Business, thereby promoting streamlining of business processes and enhancing operational efficiency, which is expected to result in cost savings. This in turn will facilitate more favourable negotiations with suppliers and customers, thereby improving the Group's financial performance and operational efficiency.

Further, the Board also takes cognisance of the following factors in undertaking the Proposed Acquisitions:-

(i) the Profit Guarantee given pursuant to the Proposed Acquisitions will, to a great extent, provide assurance to the Group on the profitability of the Acquiree Companies during the transition period following the completion of the Proposed Acquisitions. This is expected to strengthen the Group's asset base and enhance its overall earnings through the consolidation of the financial performance of the Acquiree Companies; and

(ii) the Purchase Consideration will be partially settled through the allotment and issuance of the Consideration Shares. This structure enables the Group to acquire the Acquiree Companies without any immediate impact on its cash position, as opposed to a full cash settlement of the Purchase Consideration. At the same time, it strengthens the Group's capital base, ensuring that its financial structure remains aligned with the expansion of its operational scale.

    Nonetheless, this payment structure will result in a dilutive effect on the shareholdings of existing non-interested shareholders. However, LCB anticipates that the Proposed Acquisitions will be earnings accretive and have the potential to enhance shareholder value in the future, as the Proposed Acquisitions provide LCB with the opportunity to consolidate the Acquiree Companies' financial results, thereby contributing to the Group's overall financial performance and long-term growth.

Barring any unforeseen circumstances, the Board believes that the Proposed Acquisitions will potentially impact the Group's growth prospects in the medium to long term, and create additional value for the LCB Group's shareholders. In short, the Proposed Acquisitions represent a significant step forward for the LCB Group to capitalise on the growth opportunities within the Recycling Business.

4.2 Proposed Exemption

The Proposed Exemption will relieve DWSK, LESB and their PACs from the obligation to undertake the Mandatory Offer upon issuance of the Consideration Shares as it is not their intention to undertake the Mandatory Offer. As the Proposed Acquisitions and the Proposed Exemption are inter-conditional upon each other, the Proposed Exemption is necessary for the successful completion of the Proposed Acquisitions.

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5.0 RISK FACTORS

5.1 Completion risk

The Proposed Acquisitions are conditional upon fulfilment of the conditions precedent of the SPA. There is a possibility that the Proposed Acquisitions cannot be completed within the time period permitted under the SPA due to failure in fulfilling the conditions precedent. In the event that the conditions precedent are not fulfilled within the stipulated time period or any approvals required under SPA shall contain terms which are not acceptable to the parties to SPA, the completion of the Proposed Acquisitions may be affected. In this regard, the Board (save for the Interested Directors) shall endeavour to ensure that there is no delay in fulfilling all the conditions precedent by the parties concerned and should there be any delay beyond the agreed time period, the Board (save for the Interested Directors) shall negotiate with the relevant parties to mutually extend the relevant period prior to its expiry.

5.2 Business risk

The Board (save for the Interested Directors) does not foresee any material risks pursuant to the Proposed Acquisitions except for the inherent risk factors associated with the Recycling Business in which the LCB Group is already involved in. The Proposed Acquisitions, nevertheless, will result in an increase in exposure to such inherent risks. It is therefore to be noted that the general business risks and risks inherent in the Recycling Business may have a greater impact on the enlarged LCB Group upon the completion of the Proposed Acquisitions. Nevertheless, leveraging on the experiences of the Group and the Acquiree Companies in the Recycling Business, the enlarged LCB Group is expected to prevail over any adversities and sustain its business operations.

5.3 Significant control and influence risk

Upon completion of the Proposed Acquisitions, the collective shareholdings of DWSK, LESB and their PACs in the Company are expected to increase from 38.70% to 70.60%, thereby gaining a majority control of the Company. This would enable DWSK, LESB and their PACs to exert significant influence over the management and operations of the Company including but not limited to, electing the Board, influencing major business decisions, and dictating the Company’s strategic direction, unless they are required to abstain from voting by law and/or by the relevant guidelines and regulations.

5.4 Failure to obtain the CCCs for Earthwise’s rented factories

Earthwise currently operates its recycling facilities cum warehouses at two (2) rented factories which do not possess CCC. As at the LPD, the landlords are in the midst of applying the CCCs for both factories. Based on Earthwise’s understanding from the landlords, the CCCs for both factories are expected to be obtained by the second quarter of 2026.

Pursuant to Section 70(27) of the Street Drainage and Building Act, 1974, any person who occupies a building or any part of a building without a CCC may be subject to a fine not exceeding RM250,000 and/or imprisonment for a term not exceeding ten (10) years, if convicted. Notwithstanding the pending CCCs for both factories, Earthwise does not anticipate any material adverse impact on its business operations or financial condition. As at the LPD, Earthwise has not been subject to any penalties or enforcement action by the relevant authorities for the absence of CCCs both factories.

Although Earthwise is working with the landlords in obtaining the CCCs for both factories, there is no assurance that Earthwise will be able to obtain the CCCs in a timely manner or at all (as the applications could be rejected). In the event the landlords fail to obtain the CCCs for either or both factories, Earthwise will consider relocating its operations to another leased facilities. For the avoidance of doubt, the relocation costs arising from the absence of the CCCs will be borne by the Vendors in accordance with the Clause 7A.1 of the SPA. Under this clause, the Vendors have undertaken to jointly and severally indemnify and keep indemnified LCB (as the Purchaser) against any loss, liability, cost or expense suffered by LCB or any of the Acquiree Companies in connection with, among others, any non-compliance or breach of laws or requirements by the Acquiree Companies on or prior to the Completion Date. Please refer to Section 1.2 of the Appendix III of this Circular for further information of the CCCs.

5.5 Impairment risk

According to the Malaysian Financial Reporting Standards 3: Business Combinations issued by the Malaysian Accounting Standards Board, the Group is expected to recognise goodwill arising from the Proposed Acquisitions. Goodwill represents the excess of the Purchase Consideration over the Group's share of the fair value of the identifiable net assets acquired.

Goodwill is subject to annual impairment test or when events and circumstances indicate potential impairment. For impairment assessment, goodwill is allocated to the respective cash generating units, or groups of cash generating units, that are expected to benefit from the Proposed Acquisitions. The carrying amount of the cash generating units, including goodwill, is then compared to the recoverable amount, which is determined as the higher of value in use or the fair value less costs of disposal. Any impairment loss identified is recognised immediately as an expense and is not subsequently reversed.

Whilst the management expects the goodwill to be supported by the post-acquisitions performance of the Acquiree Companies, any material adverse changes in the business prospects and/or assets of the Acquiree Companies, may result in an impairment of goodwill. In such an event, the Group's profitability will be negatively impacted, which will, in turn, have a corresponding effect on shareholders' funds.

5.6 Potential dilution of existing shareholders' shareholding

The existing non-interested shareholders will experience dilution in their existing shareholdings in the Company as a result of the issuance of the Consideration Shares arising from Proposed Acquisitions. Consequently, their proportionate entitlements to any dividends, rights, allotments and/or other forms of distributions which may be declared, made or paid after completion of the Proposed Acquisitions will correspondingly be diluted.

6.0 INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 5.2% in the third quarter of 2025 (2nd quarter of 2025: 4.4%), driven by sustained domestic demand and higher net exports. Household spending was supported by positive labour market conditions, income-related policy measures, and cash assistance programmes. Investment activity was underpinned by continued capital expansion by both private and public sectors. On the external front, net exports registered higher growth as export growth outpaced import growth.

On the supply side, growth was led by the services and manufacturing sectors. Growth in the services sector was mainly contributed by consumer-related sub-sectors, while the manufacturing sector's performance was driven by stronger production in electrical and electronics ("**E&E**") and consumer-related goods. Meanwhile, the mining and quarrying sector rebounded, reflecting a recovery in crude oil and natural gas production post-scheduled maintenance work. On a quarter-on-quarter, seasonally-adjusted basis, growth expanded by 2.4% (2nd quarter of 2025: 2.2%).

Headline inflation remained stable at 1.3%, while core inflation increased to 2% (2nd quarter of 2025: 1.3% and 1.8%, respectively). While the higher core inflation added impetus to headline inflation during the quarter, this was offset by declines in selected administered prices. In particular, electricity (-4.6%; 2nd quarter of 2025: 0%) and diesel (-5%; 2nd quarter of 2025: 8%) prices were lower during the quarter, in line with the recent electricity tariff restructuring and moderate global cost conditions. Inflation pervasiveness, measured by the share of consumer price index items registering monthly price increases, edged higher to 43.8% during the quarter (2nd quarter of 2025: 41.8%), while remaining below the historical average of 44.5%.

In the third quarter of 2025, the ringgit's nominal effective exchange rate appreciated by 0.8% (year-to-date as of 12 November 2025: 5.3%) against the currencies of Malaysia's major trading partners. The ringgit also remained broadly stable against the United States ("**US**") dollar, with a marginal appreciation of 0.05% (year-to-date as of 12 November 2025: 8.2%). This movement was driven by both external and domestic factors. On the external front, the US Federal Reserve's easing of monetary policy in September coupled with expectations of further rate cuts amid growing concerns about the US economy's outlook, has supported the ringgit during the quarter. In addition, the announcement of trade agreements between the US and several of its trading partners, including Malaysia, has helped ease tariff-related uncertainties and improve sentiment, further supporting the ringgit's performance.

Domestically, Malaysia's positive economic growth prospects, supported by the Government's commitment to domestic structural reforms and fiscal sustainability, will continue to provide support to the ringgit. BNM remains committed to ensuring the orderly functioning of the domestic foreign exchange market.

Despite the challenging external environment, Malaysia's economic outlook remains on track to achieve growth between 4% and 4.8% in 2025, supported by resilient domestic demand. Household spending will be supported by continued employment and wage growth, as well as income-related policy measures. Investment activity will be sustained by progress of infrastructure projects, further realisation of approved private investments, and the implementation of national master plans. On the external front, export growth is expected to be impacted by tariffs and more moderate external demand. However, growth would be supported by continued demand for E&E goods, inbound tourism and the recovery in mining-related exports.

Both headline and core inflation are expected to remain moderate for the remainder of the year, supported by steady domestic demand and continued easing in global cost conditions. These factors, together with Government measures to cushion the impact of domestic policy reforms on households, will help sustain a low and stable inflation environment. Heading into 2026, inflation is expected to remain moderate amid steady domestic demand, stable labour market conditions, and favourable supply conditions.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2025, dated 14 November 2025, BNM)

6.2 Overview and outlook of the retail sector in Malaysia

For 28th Malaysia Retail Industry Report ("**Report**"), Retail Group Malaysia Sdn Bhd noted that Malaysia's retail sales were expected to decline by 1% overall, with retail growth revised down to 3.1%, from 4.3%, for the remaining quarters of 2025. This adjustment is attributed to a weaker projection for the 2nd quarter of 2025 and broader economic challenges.

Nevertheless, the Report highlights that Malaysia's retail industry recorded a positive growth of 5.6% in retail sales for 1st quarter of 2025, slightly below the estimated 5.9%.

Retail sales were boosted by festival shopping sprees and the month-long national school holidays. In 1st quarter of 2025, Chinese New Year fell on 29 January 2025, while Hari Raya Aidilfitri was celebrated on 31 March 2025 and 1 April 2025.

Malaysia's attractive currency and visa-free entry for visitors from China and India also contributed to a surge in tourist arrivals, reaching 10.1 million and making Malaysia the most visited country in Southeast Asia during the 1st quarter of 2025.
Looking ahead, the retail sector is expected to grow moderately by 2.8% in 3rd quarter of 2025, with hopes for a 3.5% increase in the final quarter.

(Source: "Retail Group Malaysia revises retail growth in 2025 to 3.1% from 4.3%", dated 18 July 2025, The Edge Malaysia)

6.3 Overview and outlook of the waste recycling industry in Malaysia

A total of 21 landfills managed by Solid Waste and Public Cleansing Management Corporation ("**SWCorp**") are set to hit full capacity between 2025 and 2041. This poses both a challenge and an opportunity for the country to rethink its waste management strategies, said SWCorp.

Environmentalists are pushing for zero-waste initiatives, but some experts believe landfills and incinerators are still needed as the final point of waste management. The zero-waste initiative is a growing movement in Malaysia promoting sustainable living through waste reduction, reuse and recycling, which aims to transform the country into an environmentally conscious nation.

The Housing and Local Government Minister's Circular Economy Blueprint for Solid Waste in Malaysia (2025-2035) also pushes for a circular economic system, where most, if not all, existing products and materials from both manufacturing and post-consumer use are recycled or reused for as long as possible.

Khalid Bin Mohamed ("**Khalid**"), the chief executive officer of SWCorp said waste generated in Malaysia has increased by 1.4% to 1.7% annually, driven by festive seasons, natural disasters and population growth. In 2023, the country generated approximately 39,000 tonnes of solid waste daily, with food waste constituting 44.5%, plastic 13.2%, disposable diapers 12.1% and paper 8.5%. He added that the waste and facility management of seven states are under SWCorp's jurisdiction – which involves 21 non-sanitary landfills.

Since 2009, Malaysia operates four incinerators, strategically located in areas that are either islands or have unique logistical needs, such as Cameron Highlands. Only two of the four are operational with a capacity to process 60 tonnes of waste per day, while the other two incinerators are undergoing repair and maintenance.

Khalid said, these facilities play a critical role in Malaysia's waste management infrastructure, particularly in reducing the volume of solid waste and minimising reliance on landfills, which are fast approaching full capacity. Malaysia ensures incinerator emissions meet international environmental and health standards through strict enforcement of the Environmental Quality Act 1974, compliance with Air Pollution Control regulations and real-time monitoring via Continuous Emission Monitoring Systems.

The Government is exploring waste-to- energy ("**WTE**") solutions, with a total of 18 WTE plants to be built across the country by 2040, aiming to manage residual waste and generate renewable energy. These facilities are designed to treat non-recyclable waste through processes like combustion, gasification and anaerobic digestion, thereby reducing landfill reliance while producing electricity.

Sahabat Alam Malaysia honorary secretary Mageswari Sangaralingam argued that truly sustainable waste management begins long before disposal. A real circular economy must eliminate waste and pollution at the source. She advocates for zero-waste principles by reducing consumption, composting organic materials, promoting reuse and safe recycling, as well as holding manufacturers accountable. She said, nearly half of household waste is organic. Composting this can cut waste volumes drastically, lower emissions, and reduce reliance on both landfills and incinerators.

Minister in the Prime Minister's Department (Federal Territories) Datuk Seri Dr Zaliha Mustafa on 15 May 2025 launched the Kuala Lumpur Zero Waste Programme, where under a roadmap, the country is targeting a 20% reduction in organic waste and a 40% reduction in non-organic waste sent to landfills by 2040.

(Source: "Landfills to hit full capacity by 2041", dated 31 July 2025, The Star)

The Malaysian Investment Development Authority ("**MIDA**") and the Malaysian Plastics Manufacturers Association ("**MPMA**") are working closely to drive industry collaboration and understand the demand and supply of recycled plastic resources, which are crucial for many industry players in their decarbonisation efforts.
MIDA said in a statement today that the ongoing collaboration between MIDA and MPMA is set to continue driving Malaysia's advancements in the plastics industry, ensuring sustained progress and innovation. MIDA chief executive officer Sikh Shamsul Ibrahim Sikh Abdul Majid said the growth and transformation of the plastics industry in Malaysia are remarkable, showcasing the nation's commitment to innovation and sustainability.

"As we advance towards a circular economy, we see a significant increase in recycling activities, creating new markets for advanced recycling technologies. Our continued progress in this sector is a testament to Malaysia's dedication to environmental stewardship and economic growth. Malaysia is committed to achieving net zero carbon by 2050," he said in the statement.

Meanwhile, MPMA president CC Cheah said the main challenge facing the industry is that most of the plastics are disposed after use.

"MPMA has recently proposed a Plastics Neutrality Masterplan which provides thought leadership to drive towards zero plastics to landfills by 2050. In Malaysia, achieving plastics circularity and neutrality poses several formidable challenges. The masterplan addresses the challenges by promoting a multifaceted approach, involving policy reforms, investments in infrastructure, public education campaigns and collaboration among stakeholders across the plastics value chain," he said.

(Source: MIDA's website, https://www.mida.gov.my/mida-news/mida-mpma-collaborate-in-plastic-recycling-efforts/)

Since its establishment in the 1960s, Malaysia's paper, printing, and publishing industry has continuously adapted to changing market conditions, consumer preferences, and technological advancements. The industry's evolution is driven by developments in digital media, e-commerce, and sustainability practices. Recovered paper serves as the primary raw material for recycled pulp, kraft paper, and various paper-based products, catering to sectors like tissue production, diaper manufacturing, and paper packaging.

The industry has attracted substantial investments from both global and local players. Notable global investors such as Best Eternity Recycle Technology, Jingxing Holdings, and ND Paper have injected RM10.4 billion into Malaysia's paper and paper-based products sector over the past decade. Local companies have also expanded, often through foreign equity acquisition, exemplified by GS Paperboard & Packaging RM1.2 billion plant in Selangor, which employs advanced paper-making technology.

In response to the increasing importation of waste paper and the need for sustainable practices, the Malaysian government instituted specific importation and inspection guidelines for waste paper in 2022. This was accompanied by a temporary two-year moratorium on new and expansion/diversification projects using waste paper as raw material. In alignment with global sustainability trends, industry players have embraced eco-friendly infrastructure, incorporating wastewater treatment facilities and solar power installations.

To balance the need for attracting high-quality investments in producing high-value-added products, meeting local market demands, promoting domestic circular economy initiatives and ensuring environmental sustainability, the Malaysian government has decided to end the implementation of the moratorium on manufacturing license applications for companies in the paper industry effective 15 March 2024.

The industry's outlook remains positive, with the global market for paper packaging materials expected to grow to US$323 billion by 2026. The COVID-19 pandemic emphasised the importance of safe, hygienic, and secure product delivery through e-commerce. Demand for innovative packaging materials surged as merchants aimed to minimise product loss and contamination risks. Hygienic paper-based products such as wet wipes and tissues remained sought after during the pandemic. Additionally, the shift towards eco-friendly alternatives due to anti-plastic initiatives further benefits the paper industry's growth.

(Source: MIDA's website, https://www.mida.gov.my/industries/manufacturing/paper-printing-and-publishing/)

The Malaysia metal scrap recycling market is projected to grow at a compound annual growth rate of 5.6% during 2022-2028. The market is growing due to the government's focus on the expansion of the rail systems in Malaysia in line with government projects would increase the generation rate of metal scraps in the country. In addition to that, the rapid development of the manufacturing sector would have a significant contribution to the market expansion anticipated for the coming years.
Moreover, rapidly rising urbanisation in the country would propel consumption of metals in the country via constructions of residential and commercial units to add volume in the urban market coupled with growth in the consumer electronics market which would result in increased dumping rates in future.

Furthermore, increasing foreign direct investments in Malaysia's manufacturing sector is going to level up the production of metal scraps from the manufacturing sector of the country in coming years, thereby, it would multiply the potential of scrap collection and recycling in the country, and hence would open new growth horizons in Malaysia metal scrap recycling industry.

(Source: "Malaysia Metal Scrap Recycling Market Report (2022-2028): Government Focus on Rail System Expansion Fuels Growth - ResearchAndMarkets.com", dated 23 March 2023, Business Wire)

6.4 Prospects of the Group

The Group's operations mainly comprise two (2) segments, namely retailing and waste recycling segments. The breakdown of the revenue and PAT generated based on the latest audited consolidated financial statements of LCB for the FYEs 30 June 2024 and 2025 is as follows:-

Business segments	Audited Revenue (RM'000)				Audited PAT attributable to owners of the Company (RM'000)			
	FYE 30.6.2024		FYE 30.6.2025		FYE 30.6.2024		FYE 30.6.2025	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Retailing	140,752	75.09	135,188	65.03	4,706	45.66	2,025	42.40
Waste recycling	46,688	24.91	72,682	34.97	6,050	58.71	4,155	87.00
Investment holdings	-	-	-	-	(450)	(4.37)	(1,404)	(29.40)
Total	**187,440**	**100.00**	**207,870**	**100.00**	**10,306**	**100.00**	**4,776**	**100.00**

During the FYE 30 June 2025, the Group's revenue from the waste recycling segment increased 55.67% from RM46.69 million to RM72.68 million, reflecting a higher overall sales volume. However, the associated PAT decreased by 31.24% from RM6.05 million to RM4.16 million. This decline was due to a significant increase in sales volume from the low-margin wholesaling of plastic and paper, coupled with a decrease in sales volume from the high-margin cleaning services jobs within the waste recycling segment. Consequently, the Group recorded higher revenue but lower profit during the FYE 30 June 2025.

Earthwise, which principally engaged in the sales and purchases of recycling materials, such as wastepaper, plastic scrap, and scrap ferrous metal, expanded its business in June 2024 by venturing into the sale and purchase of wood chips. This strategic diversification marks a significant step in the company's efforts to broaden its revenue streams within the Recycling Business. Recognising the rising demand for wood chips, Earthwise has positioned itself to cater to these industries by leveraging its existing supply network and operational expertise in the Recycling Business. This new venture is projected to contribute approximately 34% to 44% of Earthwise's gross profit over the next five (5) years, providing a steady source of income while reducing dependency on other existing recycling materials, such as wastepaper, plastic scrap, and scrap ferrous metal.

Meanwhile, Expert, which is principally engaged in the remediation activities and other waste management services, continues to focus on strengthening its core business operations while seeking opportunities for strategic expansion and market diversification. As at the LPD, Expert is exploring opportunities in installing and commissioning of processing line for the remediation of recycling materials for potential customers. By expanding into this business, Expert aims to enhance its service offerings, attract a broader customer base, and reinforce its position in the recycling and waste management industry. In addition, the Expert Group is also actively exploring new business activities to enhance its revenue streams and profitability.

Hence, the Proposed Acquisitions, which aligned with the Company's strategy to further expand its business in waste recycling sector, are expected to strengthen LCB's market position, enhance its operational capabilities, and further improve its financial performance. The management of LCB is confident that the continued investment in the Recycling Business will contribute positively to the Group's overall financial performance. The integration of Earthwise and Expert into the Group's portfolio will unlock new growth opportunities, enhance operational synergies, and drive efficiency gains through improved economies of scale. This strategic consolidation will not only strengthen LCB's market position but also enable the Group to expand its Recycling Business into remediation activities and other waste management services through the Expert Group. By leveraging the combined expertise and market reach of the Acquiree Companies, LCB is poised to strengthen its market position in the Recycling Business.

The Board remains optimistic about LCB's prospects in the waste recycling industry. LCB's strong financial performance in the waste recycling segment thus far demonstrates its capability to manage and grow the Recycling Business. The Board believes that, with the right strategies and continued focus on operational excellence, LCB can successfully capitalise on the numerous opportunities within the waste recycling industry, reinforcing its position as a key player in this industry.

In short, the waste recycling industry offers significant growth potential as further disclosed in Section 6.3, Part A of this Circular, and LCB's strategies are well-aligned to seize these opportunities. The Board is confident in LCB's ability to reap the growth of the Recycling Business in the future.

(Source: The management of LCB)

7.0 EFFECTS OF THE PROPOSALS

The Proposed Exemption will not have any effect on the Company's issued share capital, substantial shareholders' shareholdings, consolidated NA per Share as well as gearing and consolidated EPS of LCB.

7.1 Issued share capital

The pro forma effects of the Proposed Acquisitions on the issued share capital of LCB are as follows:-

	No. of Shares	RM
As at the LPD	144,294,425	69,908,568
To be issued pursuant to the Proposed Acquisitions	156,600,000	* 64,989,000
Enlarged issue share capital after the Proposed Acquisitions	**300,894,425**	**134,897,568**

Note **:- Computed based on the Issue Price per Consideration Share.*

7.2 Earnings and EPS

Barring any unforeseen circumstances and on the assumption that the Proposed Acquisitions will be completed by the second quarter of 2026, the Proposed Acquisitions are not expected to have any material effect on the consolidated earnings and EPS of LCB for the FYE 30 June 2026.

Solely for the purpose of illustration, based on the audited consolidated financial statements of LCB for the FYE 30 June 2025 and assuming that the Proposed Acquisitions had been completed at the beginning of FYE 30 June 2025, the pro forma effects of the Proposed Acquisitions on the consolidated earnings and EPS of LCB are as follows:-

	Audited as at 30.6.2025 RM'000	After the Proposed Acquisitions RM'000
PAT attributable to the owners of LCB	4,776	(1) 12,211
No. of Shares ('000)	144,294	300,894
EPS of LCB (sen)	3.31	4.06

Note:-

(1) After adjusted for the following:-

(i) the audited PAT of Earthwise for the FYE 30 April 2025 of RM5.14 million;

(ii) the audited PAT of Expert Group for the FYE 30 June 2024 of RM3.49 million; and

(iii) the estimated expenses incidental to the Proposals of approximately RM1.20 million.

Premised on the above and barring any unforeseen circumstances, the Proposed Acquisitions are expected to contribute positively to the future earnings of the LCB Group.

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7.3 NA and gearing

The pro forma effects of the Proposed Acquisitions on the consolidated NA per Share and gearing of LCB based on the latest audited consolidated financial statements of LCB as at 30 June 2025 are as follows:-

	Audited as at 30.6.2025 RM'000	**After the Proposed Acquisitions RM'000**
Share capital	69,909	134,898
Retained earnings	51,967	(1) 50,767
Shareholders' equity	121,876	185,665
Non-controlling interest	43,678	43,678
Total equity / NA	**165,554**	**229,343**
No. of Shares ('000)	144,294	300,894
NA per Share (RM)	1.15	0.76
Borrowings (RM'000)	1,703	3,490
Gearing (times)	0.01	0.02

Note:-

(1) After deducting the estimated expenses incidental to the Proposals of approximately RM1.20 million.

While the purchase price allocation exercise pertaining to the Proposed Acquisitions is currently on-going, the associated effect will not have any impact to the aforesaid pro forma NA and gearing.

7.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisitions on the substantial shareholders' shareholdings in the Company are as follows:-

	As at the LPD				**After the Proposed Acquisitions**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
DWSK	38,407,898	26.62	-	-	65,969,498	21.92	*106,488,000	35.39
Yau Ming Teck	11,324,206	7.85	-	-	11,324,206	3.76	-	-
LESB	-	-	-	-	106,488,000	35.39	-	-
CJH	-	-	-	-	17,539,200	5.83	-	-

Note *:- *Deemed interested by virtue of his shareholdings in LESB pursuant to Section 8 of the Act.*

7.5 Convertible securities

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

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8.0 HISTORICAL SHARE PRICES

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

	Highest (RM)	**Lowest (RM)**
2024		
November	0.495	0.430
December	0.485	0.405
2025		
January	0.490	0.435
February	0.470	0.420
March	0.450	0.380
April	0.395	0.330
May	0.415	0.355
June	0.420	0.345
July	0.385	0.335
August	0.370	0.290
September	0.350	0.295
October	0.395	0.305
Last transacted market price as at the LTD		0.440
Last transacted market price as at the LPD		0.320

(Source: Bloomberg)

9.0 APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:-

(i) Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisitions on the Main Market;

The approval of Bursa Securities was obtained vide its letter dated 27 November 2025, subject to the following conditions:-

	Condition	**Status of compliance**
(a)	LCB and KAF IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisitions	To be complied
(b)	LCB must comply with the public security holding spread requirements pursuant to paragraph 8.02(1) of the Listing Requirements upon listing and quotation of the Consideration Shares	To be complied
(c)	LCB is required to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders in general meeting approving the Proposed Acquisitions and Proposed Exemption prior to the listing and quotation of the Consideration Shares	To be complied
(d)	LCB and KAF IB are required to inform Bursa Securities upon completion of the Proposed Acquisitions	To be complied
(e)	LCB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisitions are completed	To be complied

(ii) the SC for the Proposed Exemption, of which the approval will be sought after the EGM;

(iii) non-interested shareholders of the Company for the Proposals at the EGM to be convened; and

(iv) any other relevant authorities, if required.

The Proposals are not conditional upon any other proposal undertaken or to be undertaken by the Company, whilst the Proposed Acquisitions and the Proposed Exemption are inter-conditional upon each other. For clarity, proposed acquisition of Earthwise and proposed acquisition of Expert are inter-conditional upon each other.

10.0 HIGHEST PERCENTAGE RATIO

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisitions is 165.60% based on the latest available audited consolidated financial statements of LCB for the FYE 30 June 2024 as at the announcement of the Proposed Acquisitions on 19 December 2024.

11.0 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

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

(i) DWSK, being the director and major shareholder of LCB, as well as the director and shareholder/ultimate shareholder of the Acquiree Companies;

(ii) CJH, being the director of LCB, the director and shareholder of Expert, and PAC to DWSK;

(iii) LWF, being a shareholder of LCB, the director and shareholder of Expert, the director of Earthwise and PAC to DWSK;

(iv) Wong Yu Perng, being the director of LCB, the director of Earthwise and PAC to DWSK; and

(v) Yau Ming Teck, being the substantial shareholder of LCB and PAC to DWSK.

In view of the table below and with due regard to the inter-conditionality of the Proposals, the Interested Directors have abstained and will continue to abstain from all deliberations and voting on the resolutions pertaining to the Proposals at the relevant board meetings. In addition, the Interested Directors and Interested Parties will also abstain from voting and have undertaken to ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings in LCB on the resolutions pertaining to the Proposals to be tabled at the EGM to be convened.

As at the LPD, the direct and indirect shareholdings of the Interested Directors and Interested Parties in LCB are as follows:-

		Direct		Indirect	
Name	**Relationship**	**No. of Shares**	**%**	**No. of Shares**	**%**
<u>Interested Director and Interested Party</u>					
DWSK	Being the Non-Independent Non-Executive Director and major shareholder of LCB as well as the director and shareholder/ultimate shareholder of the Acquiree Companies	38,407,898	26.62	-	-
<u>Interested Directors</u>					
Wong Yu Perng	Being the Non-Independent Non-Executive Director of LCB, the director of Earthwise and the son of DWSK, and thus, is deemed as a PAC to DWSK by virtue of paragraph 216(3)(h) of the CMSA	-	-	-	-

Name	Relationship	Direct No. of Shares	%	Indirect No. of Shares	%
CJH	Being the Independent Non-Executive Director of LCB, the director and shareholder of Expert. He is deemed as a PAC to DWSK by virtue of subsection 216(2) of the CMSA as he is one of the Vendors under the SPA	-	-	-	-
<u>Interested Parties</u>					
LWF	Being a shareholder of LCB, the director and shareholder of Expert and the director of Earthwise. She is deemed as a PAC to DWSK by virtue of subsection 216(2) of the CMSA as she is one of the Vendors under the SPA	6,104,801	4.23	-	-
Yau Ming Teck	Being a substantial shareholder of LCB as well as he was the joint offeror with DWSK in the conditional mandatory take-over offer on LCB (whereby the notice of conditional mandatory take-over offer was served to LCB on 16 October 2020), and thus, is deemed as a PAC to DWSK by virtue of paragraph 216(2)(a) of the CMSA and subparagraph 4.03(1)(a) of the Rules	11,324,206	7.85	-	-

12.0 TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PAST TWELVE (12) MONTHS

Save for the Proposed Acquisitions and as disclosed below, there have been no transactions entered into between the LCB Group and DWSK and/or persons connected with him for the preceding twelve (12) months prior to the LPD:-

Transactions	RM'000
Trading of wastepaper, plastic scrap and scrap ferrous metal among NU, Waier, Formidex and Asia KG *	3,639
Trading of wastepaper, plastic scrap and scrap ferrous metal among MRSB and Earthwise *	174
Trading of plastic scrap and scrap ferrous metal among MRSB, NU, Waier, Formidex and Expert *	6,358
Trading of wastepaper, plastic scrap and scrap ferrous metal among MRSB, NU, Waier, Formidex and FRSB *	3,120
Commission on recycling material supply paid by MRSB to PRSB *	99
Provision of transportation services to MRSB, NU, Waier and Formidex by RISB *	934
Rental of factory and lorry by MRSB from SFN*	458
Rental of factory by NU from SFN	551
Provision of sludge waste disposals by Waier to SFN	3,920

Note *: *- Asia KG, Earthwise, Expert, FRSB, PRSB, RISB and SFN are companies related to DWSK.*

13.0 ADVISERS

KAF IB has been appointed as the adviser to the Company for the Proposals.

The Company has appointed DWA Advisory on 19 December 2024 as the Independent Adviser in relation to the Proposals as follows:-

(i) Proposed Acquisitions:-

(a) to comment as to whether the Proposed Acquisitions are fair and reasonable, so far as the non-interested shareholders of LCB are concerned, including the reasons for the key assumptions made and the factors taken into consideration in forming such opinion;

(b) to advise the non-interested shareholders of LCB whether they should vote in favour of the Proposed Acquisitions; and

(c) to take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subparagraphs (a) and (b) above; and

(ii) Proposed Exemption ~ to advise the non-interested directors and non-interested shareholders of the Company in relation to the Proposed Exemption pursuant to subparagraph 4.08(3) of the Rules.

14.0 DIRECTORS' STATEMENT / RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale, financial effects, terms of the SPA and risks associated with the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, on the basis above, the Board (save for the Interested Directors) recommends you to vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.

15.0 AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of LCB (save for DWSK), after having considered all relevant aspects of the Proposals, including but not limited to the rationale and financial effects, the salient terms of the SPA and the basis and justification for the Purchase Consideration as well as the views of the Independent Adviser, is of the opinion that the Proposals are:-

(i) in the best interest of LCB;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of non-interested shareholders of LCB.

16.0 OUTSTANDING CORPORATE EXERCISES

Save for the Proposals and the Proposed New Shareholders' Mandate, there are no other intended corporate exercises/schemes which have been announced but yet to be completed by the Group prior to the printing of this Circular.

17.0 ESTIMATED TIME FRAME FOR COMPLETION

Subject to the approvals as stated in Section 9.0, Part A of this Circular and barring any unforeseen circumstances, the Proposals are expected to be completed by the first quarter of 2026. The tentative timetable in relation to the Proposals is set out below:-

Date	**Events**
22 December 2025	Convening of the EGM
First quarter of 2026	Full implementation of the Proposals

18.0 EGM

The EGM, will be held at Eugenia Ballroom, Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya and virtually by way of electronic means using Remote Participation and Voting facilities at https://www.dvote.my operated by Dvote Services Sdn Bhd (Domain Registration No. with MYNIC: D6A434007) on Monday, 22 December 2025 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposals as described herein.

The Proxy Form should be deposited at the office of the Poll Administrator, Dvote Services Sdn Bhd at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan or electronically lodged by email to dvoteservice@gmail.com or via the Poll Administrator's e-Proxy Form platform at https://www.dvote.my, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

19.0 FURTHER INFORMATION

Shareholders are advised to refer to the Appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board
LOTUS CIRCULAR BERHAD (formerly known as MESB Berhad)

LOKE LEE PING
Executive Director / Chief Executive Officer

PART B

LETTER TO THE SHAREHOLDERS OF LCB IN RELATION TO THE PROPOSED NEW SHAREHOLDERS' MANDATE

LOTUS CIRCULAR BERHAD
(formerly known as MESB Berhad)
(Registration No.: 199501008356 (337554-D))
(Incorporated in Malaysia)

Registered Office:
Unit 521, 5th Floor, Lobby 6
Block A, Damansara Intan
No.1, Jalan SS20/27
47400 Petaling Jaya
Selangor

5 December 2025

BOARD OF DIRECTORS

Chua Jin Kau (Executive Chairman)
Loke Lee Ping (Executive Director / Chief Executive Officer)
Lee Kok Heng (Independent Non-Executive Director)
Dr Norhanim Binti Mat Sari (Independent Non-Executive Director)
Low Koon Min (Independent Non-Executive Director)
Dato' Lee Ban Seng (Independent Non-Executive Director)
Chen, JianHua (Independent Non-Executive Director)
Datuk Wong Sak Kuan (Non-Independent Non-Executive Director)
Wong Yu Perng (Non-Independent Non-Executive Director)

To: The Shareholders of LCB

Dear Sir/Madam,

PROPOSED NEW SHAREHOLDERS' MANDATE

1.0 INTRODUCTION

1.1 On 19 December 2024, KAF IB had, on behalf of the Board, announced that the Company proposes to obtain its shareholders' approval for the Proposed New Shareholders' Mandate. The Company will seek the approval of its shareholders for the Proposed New Shareholders' Mandate at the forthcoming EGM.

Kindly refer to the ensuing sections for further details of the Proposed New Shareholders' Mandate.

THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF LCB WITH THE DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE AND TO SEEK YOUR APPROVAL ON THE RESOLUTION PERTAINING TO THE PROPOSED NEW SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED HEREWITH IN THIS CIRCULAR.

SHAREHOLDERS OF LCB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED NEW SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING EGM.

2.0 DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

2.1 Provisions under the Listing Requirements

Pursuant to Paragraph 10.09(2) of the Listing Requirements, the Company may seek a shareholders' mandate to enter into the RRPTs subject to the following:-

(i) the RRPTs are in the ordinary course of business and on terms not more favourable to the Related Parties involved than those generally available to the public;

(ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of RRPTs conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the prescribed threshold under subparagraph 10.09(1) of the Listing Requirements, i.e. where the consideration, value of the assets, capital outlay or costs of the RRPTs is RM1 million or more; or the percentage ratios of such RRPTs (as prescribed in Paragraph 10.02 of the Listing Requirements) is 1% or more, whichever is the higher;

(iii) the Company's circular to shareholders for the shareholders' mandate shall include information as set out in the Listing Requirements;

(iv) in the general meeting to obtain the shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the RRPTs. An interested director or interested major shareholder must ensure that persons connected with them abstain from voting on the resolution approving the RRPTs; and

(v) LCB immediately announces to the Bursa Securities when the actual value of an RRPT entered into by LCB, exceeds the estimated value of the RRPT disclosed in Part B of this Circular by 10% or more and must include information as set out in the Listing Requirements in its announcement.

Pursuant to the Proposed Acquisitions, LCB Group will, in the ordinary course of the Recycling Business, enter into RRPTs with the Related Parties, the details of which as set out in Section 2.4, Part B of this Circular.

Accordingly, the Board (save for DWSK and Wong Yu Perng) proposes to seek the Proposed New Shareholders' Mandate for future RRPTs to be entered into by the Group from the date of the forthcoming EGM until the next AGM. These RRPTs which are necessary for the day-to-day business of the LCB Group, will be based on normal commercial terms, at arms' length, and will be transacted on terms that are not more favourable to the Related Parties than those generally available to the public.

2.2 Validity Period of the Proposed New Shareholders' Mandate

The Proposed New Shareholders' Mandate, if approved by the shareholders of the Company at the forthcoming EGM, will take effect from the date of the passing of the ordinary resolution at the forthcoming EGM and shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company following the general meeting at which the ordinary resolution for the Proposed New Shareholders' Mandate was passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or

(ii) the expiration of the period within the next AGM of the Company after the date is required by law to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier.

Thereafter, shareholders' approval will be sought for the renewal of the RRPTs at each subsequent AGM for the Company and/or its subsidiary companies to enter into the RRPTs. The RRPTs that are contemplated under the shareholders' mandate are in compliance with Paragraph 10.09(2) of the Listing Requirements and the relevant provisions under Practice Note 12 of the Listing Requirements.

2.3 Principal Activities of LCB Group

The Company is principally an investment holding company, whilst the principal activities of its subsidiaries include the trading and retailing of leather products and apparels as well as Recycling Business.

2.4 Nature of the RRPTs contemplated under the Proposed New Shareholders' Mandate

The RRPTs to be entered into under the Proposed New Shareholders' Mandate are as follows:-

Related Parties	Nature of relationship	Transacting party within the Group	Nature of transaction	*Estimated value of RRPTs (RM'000)
Forum	DWSK, a director and major shareholder of LCB, is also a director and major shareholder of LE, LEL (via his shareholdings in LESB), RISB, SFN, Asia KG and FRSB as well as a major shareholder of Forum as at the LPD.	Acquiree Companies	Purchase of plastics and plastic pallet by Expert from Forum	2,000
LE			Provision of transport services to Expert Group by LE	1,000
LEL			Provision of transport services to Earthwise and Expert by LEL	1,500
RISB			Provision of transport services to Earthwise and Expert by RISB	1,000
SFN			Rental of machinery to Earthwise and Expert by SFN	500
			Sales of bricks by Tudor to SFN	500
			Provision of maintenance services to Expert Group by SFN	5,000
Asia KG			Purchase of wastepaper, plastic scrap and scrap ferrous metal by Earthwise from Asia KG	3,000
FRSB			Purchase of wastepaper, plastic scrap and scrap ferrous metal by Earthwise from FRSB	1,000
Total				**15,500**

***Note** *:- Being the estimated RRPTs from the Completion Date to the next forthcoming AGM of LCB. The actual transaction values may differ from the values stated.*

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2.5 Amount due and owing by the Related Parties

As at LPD, there is no amount owing by the Related Parties pursuant to the existing transactions involving the Related Parties which has exceeded the credit terms as the Related Parties have yet to enter into the RRPTs.

2.6 Review procedures for RRPT(s)

The LCB Group had established various guidelines and procedures to ensure that the RRPTs are undertaken on an arm's length basis, on transaction prices and terms not more favourable to the Related Parties involved than those generally available to the public and not detrimental to the minority shareholders of the Company.

The LCB Group shall review the RRPTs based on the following parameters/procedures:-

(i) a list of Related Parties shall be circulated to management of all subsidiaries from time to time with the instruction that, all RRPTs with such Related Parties are required to be transacted on an arm's length basis, on normal commercial terms consistent with the Group's normal business practices and policies and will not be detrimental to the minority shareholders;

(ii) RRPTs will be monitored quarterly through management reports made to the Board as well as to the Audit and Risk Management Committee;

(iii) the Board as well as the Audit and Risk Management Committee will review the management reports quarterly to ascertain that the guidelines and procedures established to monitor the RRPTs have been complied with;

(iv) where any director or persons connected to him has an interest (direct or indirect) in any related party transactions, such director (or his alternate) shall abstain from voting on the matter. Where any member of the Audit and Risk Management Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit and Risk Management Committee with respect to such transactions;

(v) the prices, terms and conditions of the RRPTs are based on the Group's usual business practices, market rates, the availability of the amount/resources to be transacted or negotiated on a willing buyer willing seller basis. At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of produces/services and/or quantities.

    In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates/prices that are agreed based on LCB Group's usual business practices and policies and on terms which are generally in line with industry norms to ensure that the RRPTs are not detrimental to the Company and/or the Group;

(vi) the Audit and Risk Management Committee's review procedures will be conducted on a quarterly basis together with the review of quarterly results, or such frequency as the Audit and Risk Management Committee considers appropriate having regard to the value and the frequency of the RRPTs;

(vii) the RRPT which is below RM1 million in value for each transaction is subject to the approval of any one of the Executive Directors of the Group;

(viii) the RRPT which is RM1 million and above or 1% of any percentage ratio, shall be reviewed and approved by the Audit and Risk Management Committee and the Board before the transaction is entered into; and

(ix) all RRPTs entered into pursuant to the general mandate shall be subjected to an annual review of the approval procedures to be undertaken by the Audit and Risk Management Committee and the Board. Approval of the shareholders would be sought at the AGM for renewal of RRPT mandate.

2.7 Disclosure in Annual Report

Disclosure will be made in the Company's annual report on the breakdown of the aggregate value of the RRPTs made during the financial year, amongst others, based on the following information:-

(i) the types of RRPTs made; and

(ii) the names of the Related Parties involved in each type of the RRPT and their relationship with the Group.

2.8 Statement by Audit and Risk Management Committee

The Audit and Risk Management Committee has seen and reviewed the procedures and is satisfied that the review procedures and processes for RRPTs, as well as the quarterly review to be made by the Audit and Risk Management Committee, are sufficient and are appropriate to ensure that RRPTs will be made at arm's length and in accordance with the Group's normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders, and hence not disadvantageous to the Group.

Furthermore, the Audit and Risk Management Committee shall have the discretion to request for additional information pertaining to the RRPTs from independent sources or advisers. The Audit and Risk Management Committee is of the view that the Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and the procedures and processes are reviewed every quarter together with the review of quarterly results.

3.0 RATIONALE OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

The Proposed New Shareholders' Mandate serves to:-

(i) facilitate future RRPTs to be entered into by the Group, which are in its ordinary course of the Recycling Business and to be undertaken on commercial terms and on terms not more favorable to the Related Parties specified in Section 2.4, Part B of this Circular than those generally available to and/or from the public, where applicable, and in the Company's opinion, not detrimental to its minority shareholders;

(ii) enhance the Group's ability to pursue business opportunities which are time-sensitive in nature and eliminate the need for the Company to convene a separate general meeting to seek shareholders' approval for each RRPT; and

(iii) reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channeled towards attaining other corporate objectives.

In addition, the RRPTs are intended to meet the business needs of the Group on the best possible terms. By transacting with such transacting party, the Group would have an advantage of familiarity with the background and management of the Related Parties concerned, thus enabling more informed commercial decisions to be made.

4.0 APPROVALS REQUIRED AND CONDITIONALITY

The Proposed New Shareholders' Mandate is subject to the approval of the shareholders of LCB at the forthcoming EGM.

The Proposals are inter-conditional upon each other, but are not conditional upon the Proposed New Shareholders' Mandate. However, the Proposed New Shareholders' Mandate is conditional upon the Proposed Acquisitions.

The Proposals and the Proposed New Shareholders' Mandate are not conditional upon any other corporate proposals undertaken or to be undertaken by LCB.

5.0 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED WITH THEM

Save as disclosed below, none of the directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed New Shareholders' Mandate:-

(i) DWSK is deemed interested in the Proposed New Shareholders' Mandate by virtue of him being the director and/or major shareholder of LCB and the Related Parties; and

(ii) Wong Yu Perng is deemed interested in the Proposed New Shareholders' Mandate by virtue of him being the director of LCB, Earthwise and Forum and the son of DWSK.

Accordingly, DWSK and Wong Yu Perng have abstained and will continue to abstain from deliberating and voting on the Proposed New Shareholders' Mandate at the relevant board meetings. Further, DWSK and Wong Yu Perng will abstain from voting and undertakes to ensure that the persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings in LCB, deliberating or approving the ordinary resolution pertaining to the Proposed New Shareholders' Mandate to be tabled at the EGM to be convened.

As at the LPD, the shareholdings of DWSK and Wong Yu Perng in LCB are as follows:-

	Direct		**Indirect**	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
DWSK	38,407,898	26.62	-	-
Wong Yu Perng	-	-	-	-

6.0 DIRECTORS' STATEMENT / RECOMMENDATION

The Board (save for DWSK and Wong Yu Perng), having considered all aspects of the Proposed New Shareholders' Mandate, is of the opinion that the Proposed New Shareholders' Mandate is in the best interest of the Company and accordingly, recommends you to vote in favour of the resolution in relation to the Proposed New Shareholders' Mandate to be tabled at the forthcoming EGM.

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7.0 EGM

The EGM, will be held at Eugenia Ballroom, Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya and virtually by way of electronic means using Remote Participation and Voting facilities at https://www.dvote.my operated by Dvote Services Sdn Bhd (Domain Registration No. with MYNIC: D6A434007) on Monday, 22 December 2025 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed New Shareholders' Mandate as described herein.

The Proxy Form should be deposited at the office of the Poll Administrator, Dvote Services Sdn Bhd at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan or electronically lodged by email to dvoteservice@gmail.com or via the Poll Administrator's e-Proxy Form platform at https://www.dvote.my, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

8.0 FURTHER INFORMATION

Shareholders are advised to refer to the Appendix VI of this Circular for further information.

Yours faithfully,
For and on behalf of the Board
LOTUS CIRCULAR BERHAD (formerly known as MESB Berhad)

LOKE LEE PING
Executive Director / Chief Executive Officer

PART C

INDEPENDENT ADVICE LETTER BY DWA ADVISORY TO THE NON-INTERESTED SHAREHOLDERS OF LCB IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

*All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the 'Definitions' section and Part A of the Circular except where the context otherwise requires or where otherwise defined in this independent advice letter ("**IAL**"). All references to "you" are references to the non-interested directors and non-interested shareholders while references to "we", "us" or "our" are to DWA Advisory, being the Independent Adviser for the Proposals. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.*

This executive summary, highlighting the salient information of the Proposals of LCB, is intended to be a brief summary of this IAL prepared by DWA Advisory. The non-interested shareholders of LCB are advised to read this IAL carefully together with Part A of the Circular and the enclosed appendices, and to consider carefully the recommendation contained in this IAL before voting on the ordinary resolution to give effect to the Proposals at the forthcoming EGM of LCB.

1. INTRODUCTION

On 19 December 2024, KAF IB, on behalf of the Board, announced that the Company is proposing to undertake the Proposals and on even date, the Company had entered into the SPA in relation to the Proposed Acquisitions.

On 18 June 2025, KAF IB had, on behalf of the Board, announced that the Company had exchanged the letters dated 18 June 2025 with the Vendors to extend the Conditional Period (as defined in Section 2.2 of the Appendix I) from 18 June 2025 to 18 December 2025.

On 17 November 2025, KAF IB had, on behalf of the Board, announced that the Company had exchanged the letters dated 17 November 2025 with the Vendors to further extend the Conditional Period (as defined in Section 2.2 of the Appendix I) from 18 December 2025 to 18 June 2026.

The Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements as set out in Section 11 of Part A of the Circular. Pursuant thereto, the Company had on 19 December 2024 appointed us as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of LCB on the Proposed Acquisitions. In addition, we had also been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of LCB on the Proposed Exemption pursuant to subparagraph 4.08(3) of the Rules.

Pursuant to paragraph 3.07 of the Rules, we had on 20 December 2024 declared our independence from any conflict of interest or potential conflict of interest to the SC in relation to our appointment as Independent Adviser for the Proposals.

The purpose of this IAL is to provide you with our independent evaluation on the fairness and reasonableness of the Proposals on a holistic basis, together with our recommendation on whether you should vote in favour of the resolution pertaining to the Proposals, subject to the scope and limitations specified herein. Nevertheless, you should rely on your own evaluation of the merits and demerits of the Proposals before making decision on the course of action to be taken at LCB's forthcoming EGM in relation to the Proposals.

2. EVALUATION OF PROPOSALS

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals on a holistic basis in accordance with Paragraph 8 of Schedule 2: Part III of the Rules and given due consideration to the Company's rationale for the Proposed Acquisitions and Proposed Exemption as both said Proposals are inter-conditional. In this regard, we have taken into consideration the following factors in forming our opinion:

Area of evaluation	**Our comments**
Section 6.1 Rationale and benefits of the Proposals	**(1) Proposed Acquisitions** The Proposed Acquisitions present a strategic opportunity for the LCB Group to expand its footprint within the Recycling Business. This aligns with the Group's long-term strategy to deepen its penetration into the Recycling Business, thereby increasing revenue contributions from this business segment and reducing reliance on its retail business. Moreover, the Proposed Acquisitions are expected to enhance the LCB Group's market share within the Recycling Business industry. The resulting growth in market share is anticipated to strengthen the LCB Group's competitive position, enabling it to leverage economies of scale. This in turn will facilitate more favourable negotiations with suppliers and customers, thereby improving the Group's financial performance and operational efficiency. In addition, the Profit Guarantee given pursuant to the Proposed Acquisitions will, to a great extent, provide assurance to the Group on the profitability of the Acquiree Companies during the transition period following the completion of the Proposed Acquisitions. This is expected to strengthen the Group's asset base and enhance its overall earnings through the consolidation of the financial performance of the Acquiree Companies. **(2) Proposed Exemption** The Proposed Exemption will relieve DWSK, LESB and their PACs from the obligation to undertake the Mandatory Offer upon completion of the Proposed Acquisitions as it is not the intention of DWSK, LESB and their PACs to undertake the Mandatory Offer. As the Proposed Acquisitions and Proposed Exemption are inter-conditional upon each other, the Proposed Exemption is necessary for the successful completion of the Proposed Acquisitions.
Section 6.2 Evaluation of the Purchase Consideration	The basis and justification for the Purchase Consideration are set out in Section 2.5 of Part A of the Circular. In arriving at the equity value of the Acquiree Companies, we are also of the view that the discounted cash flow ("**DCF**") method is the most appropriate valuation methodology as we noted that the estimated future cash flows to be derived from the Acquiree Companies can be projected by the management of the Acquiree Companies. The DCF method is a valuation method that considers both the time value of money and the future cash flows to be generated by the Acquiree Companies over a specified period of time. As the methodology entails the discounting of the future cash flows to be generated from the Acquiree Companies as a specified discount rate to arrive at the net present value, the riskiness of generating such cash flows will also be taken into consideration. We have reviewed the future financial information of the Acquiree Companies for a five (5)-year period from the FYE 30 April 2025/ 30 June 2025 to the FYE 30 April 2029/ 30 June 2029 ("**Future Financials**") which was prepared by the management of the Acquiree Companies based on estimates and assumptions on a best effort basis. We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

<table>
<tr><th>Area of evaluation</th><th>Our comments</th></tr>
<tr><td></td><td>We noted that the Purchase Consideration of RM100.00 million is below the estimated range of indicative values of the Acquiree Companies of RM149.13 million to RM171.98 million based on the DCF method of valuation, representing a discount of 32.94% to 41.85%. As such, we are of the view that the Purchase Consideration is fair.

In addition to the DCF Valuation, we have also assessed the fairness of the Purchase Consideration based on the analysis of the Comparable Companies. Based on the above, we observed that the Purchase Consideration of the Acquiree Companies of RM100.00 million is:

(i) above the indicative valuation of RM55.79 million based on the Comparable Companies' PER ratios (representing a premium of approximately 79.24% from the valuation);

(ii) below the range of indicative valuation of RM111.04 million based on the Average Profit Guarantee of RM8.00 million (defined herein) and the Comparable Companies' PER ratios (representing a discount of approximately 9.94% from the valuation); and

(iii) above the range of indicative valuations of RM54.88 million and RM88.12 million based on the Comparable Companies' EV/EBITDA ratios and above the average of RM71.50 million (representing a premium of approximately 39.86% from the average).</td></tr>
<tr><td>Section 6.3

Evaluation of the Issue Price</td><td>(1) Mode of settlement of the Purchase Consideration

The Purchase Consideration will be partly satisfied by the issuance of 156,600,000 Consideration Shares at an Issue Price of RM0.415 per Consideration Share to the Vendors.

The partial settlement of the Purchase Consideration through the issuance of Consideration Shares enables the Group to conserve cash, mitigating any material impact on its cash flows compared to a full cash settlement. Furthermore, the Group is not required to significantly increase its bank borrowings to finance the Purchase Consideration. The Group shall fund the Cash Consideration amounting to approximately RM35.01 million via a combination of the Group's internally generated funds and/or bank borrowings. Should the Group fund the Cash Consideration fully via cash, the Group as at 30 June 2025 has an unaudited cash and bank balances amounting to approximately RM21.25 million. Should the Group fund the Cash Consideration via bank borrowings, it will incur additional interest costs associated with bank borrowings.

(2) Basis and justification of the Issue Price

Based on our evaluation, we are of the view that the Issue Price of the Consideration Shares is justifiable based on the following considerations:

(i) the Issue Price is within the highest and lowest closing market price of LCB Shares for the past 1 year up to the LTD and the LPD of RM0.655 and RM0.295, respectively;</td></tr>
</table>

Area of evaluation	Our comments
	(ii) discounts ranging from RM0.0035 to RM0.1361 (0.84% to 24.69%) to the last transacted market price of LCB Shares as at the LTD and the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of LCB Shares up to the LTD ranging from RM0.4185 to RM0.5511; and (iii) premiums ranging from RM0.0950 to RM0.0972 (29.69% to 30.59%) to the last transacted market price of LCB Shares as at the LPD of RM0.3200 and the 5-day VWAMP of LCB Shares up to the LPD of RM0.3178.
Section 6.4 Evaluation of the salient terms of the SPA	We are of the view that the salient terms are generally on normal commercial terms and are reasonable and not detrimental to the non-interested shareholders of LCB.
Section 6.5 Effects of the Proposals	We noted that the Proposed Exemption, on a standalone basis, will not have any effect on the Company's issued share capital, substantial shareholders' shareholdings, consolidated NA per LCB Share as well as gearing and consolidated EPS. However, the Proposed Acquisitions which are inter-conditional with the Proposed Exemption would have an effect on the issued share capital, substantial shareholders' shareholdings, consolidated NA per LCB Share as well as gearing and consolidated EPS. The pro forma effects of the Proposed Acquisitions are as follows: (i) will result in an increase in the issued share capital of LCB from RM69.91 million consisting of 144.29 million LCB Shares as at the LPD to RM134.90 million consisting of 300.89 million LCB Shares. (ii) Proposed Acquisitions are expected to be completed by the second quarter of 2026, the Proposed Acquisitions are not expected to have any material effect on the consolidated earnings and EPS of the Company for the FYE 30 June 2026. (iii) pro forma NA as at 30 June 2025 will increase from RM165.55 million to RM229.34 million upon issuance of 156.60 million Consideration Shares pursuant to the Proposed Acquisitions. Correspondingly, LCB's pro forma NA per LCB Share will decrease from RM1.15 to RM0.76 pursuant to the Proposed Acquisitions.
Section 6.6 Risk factors	We noted the risk factors which are common for an acquisition transaction for such nature, including completion risk or business risk. Although measures will be taken by the Group to contain or mitigate the risks relating to the Proposed Acquisitions, no assurance can be given that the risks will not crystalise and give rise to material and adverse impact on the business operations and financial performance of the Company.

Area of evaluation	Our comments
	Notwithstanding that, the Group is already exposed to the inherent risks associated with the Recycling Business such as non-renewal, revocation or suspension of licence to conduct recycling activities, dependency on supplier and fluctuations in commodity prices. As such, we are of the view that the Group is not expected to be exposed to new business risks and that the risk profile of the Group will not change significantly upon completion of the Proposed Acquisitions.
Section 6.7 Economic outlook, industry overview and prospects of the Group	We take cognisance of the industry overview and outlook of the economy of Malaysia and the retail and waste recycling industries in Malaysia well as the prospects of LCB as disclosed in Section 6 of Part A of the Circular. Based on the above and after taking into consideration of the industry outlook and future prospect of LCB as set out in Section 6.7 of this IAL we are of the view that the outlook and prospects of LCB upon completion of the Proposals is positive.
Section 6.8 Implications arising from the voting outcome of the Proposed Exemption	If non-interested shareholders of LCB **VOTE IN FAVOUR** of the Proposed Exemption, DWSK, LESB and their PACs would be able to submit an application for the Proposed Exemption to the SC for its consideration (assuming that the Proposed Acquisitions are also approved by the non-interested shareholders of LCB). If the non-interested shareholders of LCB **VOTE AGAINST** the Proposed Exemption: (i) DWSK, LESB and their PACs would not be able to submit an application for the Proposed Exemption to the SC for its consideration. (ii) In view that the Proposed Acquisitions and Proposed Exemption are inter-conditional upon each other, in the event that the Proposed Exemption is not approved, LCB will not be able to undertake the Proposed Acquisitions. Consequently, the potential benefits arising from the Proposed Acquisitions will not materialise.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals holistically, taking into consideration the various factors set out in Section 6 of this IAL. The non-interested Directors and non-interested shareholders of LCB should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors, including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of LCB in relation to the Proposals as set out in Part A of the Circular, before voting on the resolution pertaining to the Proposals at LCB's forthcoming EGM.

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals on a holistic basis in accordance with Paragraph 8 of Schedule 2: Part III of the Rules, taking into consideration the various factors set out in this IAL.

In summary, the potential advantages and disadvantages of the Proposals are as follows:

Potential advantages
(1) The Proposed Acquisitions will enable LCB to expand its footprint in the Recycling Business which is aligned with Group's long-term strategy.
(2) The Proposed Acquisitions are expected to contribute positively to the future earnings of the LCB Group.
(3) The Purchase Consideration of RM100.00 million is below the estimated range of indicative values of the Acquiree Companies of RM149.13 million to RM171.98 million based on the DCF method of valuation, being the primary method of valuation, representing a discount of 32.94% to 41.85%.
(4) The partial settlement of the Purchase Consideration through the issuance of Consideration Shares enables the Group to conserve cash, mitigating any material impact on its cash flows compared to a full cash settlement. Furthermore, the Group is not required to significantly increase its bank borrowings to finance the Purchase Consideration. The Group shall fund the Cash Consideration amounting to approximately RM35.01 million via a combination of the Group's internally generated funds and/or bank borrowings. Should the Group fund the Cash Consideration fully via cash, the Group as at 30 June 2025 has an unaudited cash and bank balances amounting to approximately RM21.25 million. Should the Group fund the Cash Consideration via bank borrowings, it will incur additional interest costs associated with bank borrowings.
Potential disadvantages
(1) The Proposed Exemption will allow the collective shareholdings of DWSK, LESB and their PACs in LCB to **increase from 38.70% to 70.60%** upon completion of the Proposed Acquisitions without being required to undertake the Mandatory Offer. On the other hand, the shareholdings held collectively by the non-interested shareholders in LCB will be diluted from 61.30% to 29.40%. **With collective shareholdings of more than 50.00% in LCB upon completion of the Proposed Acquisitions, any further increase in the collective shareholdings of DWSK, LESB and their PACs in LCB would not trigger an obligation for DWSK, LESB and their PACs to undertake a Mandatory Offer provided that the collective shareholdings of DWSK, LESB and their PACs in LCB remains at more than 50.00% at all times.** For the avoidance of doubt, subsequent to the Proposed Acquisitions, DWSK, LESB and their PACs would still be bound to undertake a Mandatory Offer if either one of them increase their individual shareholdings in LCB to 33.00% or more, unless an exemption is granted by the SC.
(2) Further, with the shareholdings of 70.60% in LCB on a collective basis, DWSK, LESB and their PACs will have statutory control over LCB (holding more than 50.00% of the voting shares or voting rights in the company) and unless they are required to abstain from voting on resolutions sought at shareholders' general meeting, they will be able to determine the outcome of any ordinary resolution (which requires approval from simple majority of 50.00% of the total voting shares) and are likely to influence the outcome of any special resolution (which requires approval from at least 75.00% of the total voting shares).
(3) The Issue Price represents a discount of 63.83% to the audited NA per Share of the Company of RM1.15 as at 30 June 2025. **The issue of LCB shares at a price lower than market price will result in a greater dilution to the non-interested shareholders' shareholding in LCB as more Consideration Shares will be issued to the Vendors as part of the Purchase Consideration.**

Premised on our overall evaluation and assessment of the Proposals on a holistic basis where we are of the view that the potential advantages outweigh the disadvantages, we are of the opinion that the Proposals are **FAIR AND REASONABLE** to the non-interested Directors and non-interested shareholders of LCB.

Accordingly, we:

(i) advise the non-interested Directors to recommend to the non-interested shareholders of LCB to **VOTE IN FAVOUR** of the ordinary resolutions in respect of the Proposals to be tabled at LCB's forthcoming EGM; and

(ii) recommend that the non-interested shareholders of LCB **VOTE IN FAVOUR** of the ordinary resolutions in respect of the Proposals to be tabled at LCB's forthcoming EGM in relation to the Proposals.

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

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DWA advisory

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Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan

5 December 2025

To: The non-interested Directors and non-interested shareholders of LCB

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF LCB IN RELATION TO THE PROPOSALS

This IAL is prepared for inclusion as Part C of the Circular 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 and Part A of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" and "our" in this IAL are to DWA Advisory, being the Independent Adviser for the Proposals. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.

1. INTRODUCTION

1.1 On 19 December 2024, KAF IB, on behalf of the Board, announced that the Company is proposing to undertake the Proposals and on even date, the Company had entered into the SPA with the Vendors in relation to the Proposed Acquisitions.

1.2 The Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements as set out in Section 11 of Part A of the Circular. Pursuant thereto, the Company had on 19 December 2024 appointed us as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of LCB on the Proposed Acquisitions. In addition, we had also been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of LCB on the Proposed Exemption pursuant to subparagraph 4.08(3) of the Rules.

1.3 Pursuant to paragraph 3.07 of the Rules, we had on 20 December 2024 declared our independence from any conflict of interest or potential conflict of interest to the SC in relation to our appointment as Independent Adviser for the Proposals.

1.4 On 18 June 2025, KAF IB had, on behalf of the Board, announced that the Company had exchanged the letters dated 18 June 2025 with the Vendors to extend the Conditional Period (as defined in Section 2.2 of the Appendix I) from 18 June 2025 to 18 December 2025.

1.5 On 17 November 2025, KAF IB had, on behalf of the Board, announced that the Company had exchanged the letters dated 17 November 2025 with the Vendors to further extend the Conditional Period (as defined in Section 2.2 of the Appendix I) from 18 December 2025 to 18 June 2026.

1.6 The purpose of this IAL is to provide you with our independent evaluation on the fairness and reasonableness of the Proposals on a holistic basis, together with our recommendation on whether you should vote in favour of the resolution pertaining to the Proposals, subject to the scope and limitations specified herein. Nevertheless, you should rely on your own evaluation of the merits and demerits of the Proposals before making decision on the course of action to be taken at LCB's forthcoming EGM in relation to the Proposals.

2. DETAILS OF THE PROPOSALS

The full details of the Proposals are set out in Sections 2 and 3 of Part A of the Circular and should be read in its entirety by the non-interested shareholders of LCB.

3. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSALS

DWA Advisory was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposals. DWA Advisory has also not undertaken any independent investigation into the business, affairs, operations, financial position or prospects of LCB. Our scope as Independent Adviser is limited to providing comments, opinions, information and recommendations in relation to the Proposals.

DWA Advisory is satisfied with the adequacy of information and documents provided by the Board and management of LCB in order for us to form the basis of our opinion. DWA Advisory has made all reasonable enquiries, performed reasonableness checks and corroborated relevant information with independent sources, where possible. DWA Advisory wishes to highlight that the Board has collectively and individually confirmed to us that all relevant material facts and information critical to our evaluation have been disclosed to us. The Board has also accepted responsibility for the accuracy of the information provided to us by the Board, the management and/or its advisers which is reproduced herein and confirmed that, after making all reasonable enquiries and to the best of its knowledge and belief, there are no other information and/or facts, the omission of which would make any information provided to us misleading, incomplete or inaccurate.

In performing our evaluation, DWA Advisory has relied on the following sources of information and documents:

(i) the information contained in Part A of the Circular and the appendices enclosed therein;

(ii) the SPA;

(iii) Valuation Report issued by AER;

(iv) the annual reports of LCB for the past 3 years for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024 as well as the latest unaudited financial statements for the FYE 30 June 2025;

(v) the audited financial statements of Expert for the FYE 30 June 2023 and FYE 30 June 2024 as well as the latest unaudited financial statements for the FYE 30 June 2025;

(vi) the audited financial statements of Earthwise for the FYE 30 April 2024 and FYE 30 April 2025 as well as the latest unaudited financial statements for the 5-month FPE 30 September 2025;

(vii) other relevant information, documents, the confirmations and representation furnished to us by the Board and management of LCB;

(viii) discussions and consultations with the management of LCB; and

(ix) other publicly available information which we have deemed to be relevant.

DWA Advisory has relied on the Board and representatives of LCB to take due care and to ensure that all information, documents and representations provided to us by them to facilitate our evaluation are accurate, valid and complete in all material aspects. DWA Advisory has made reasonable enquiries, and as at the date of this IAL, DWA Advisory has no reason to believe that the aforementioned information provided or is available to us is unreliable, incomplete, misleading and/or inaccurate and there is no omission of any material facts, which would make any information provided to us incomplete, misleading or inaccurate. To that end, DWA Advisory is satisfied that such information is sufficient, accurate, valid and reasonable.

DWA Advisory has evaluated the Proposals and in rendering our advice, DWA Advisory has also considered the current situation of the capital market, economic, industry, regulatory, monetary, social-political and other factors prevailing on, and the general future plans of the LCB as well as the other information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time. DWA Advisory believes that these factors are of relevance and general importance to the assessment of the implications of the Proposals and would be of relevance and general concern to the non-interested Directors and the non-interested shareholders of LCB. This opinion is rendered solely for the benefit of the non-interested Directors and non-interested shareholders of LCB.

DWA Advisory's evaluation and recommendations expressed herein are confined to the Proposals. DWA Advisory's scope as the Independent Adviser does not extend to expressing any opinion on the commercial merits, legal and tax implications arising from the Proposals as these remain the sole responsibility of the Board.

DWA Advisory's views and recommendations contained in this IAL are to the non-interested shareholders at large and not to any non-interested shareholder individually. As such, in carrying out our evaluation, DWA Advisory has not given any consideration to any specific future plans nor to consider the specific objectives, financial situation and particular needs of any individual shareholder or specific group of shareholders.

DWA Advisory recommends that any individual non-interested shareholder or any specific group of non-interested shareholders who is in doubt of the action to be taken or require specific advice in relation to the Proposals, in the context of their individual objectives, financial situation and particular needs, to consult with their stockbrokers, bankers, solicitors, accountants or other professional advisers.

DWA Advisory shall not be responsible for any damage or loss of any kind sustained or suffered by any individual non-interested shareholder or any specific group of non-interested shareholders in reliance on the opinion stated herein for any purpose whatsoever other than for the purpose of considering the Proposals at the forthcoming EGM.

After the dispatch of the Circular and this IAL, and until the date of the EGM, DWA Advisory will notify the non-interested shareholders of LCB if we become aware that this IAL:

(a) contains a material statement which is false or misleading;

(b) contains a statement from which there is a material omission; or

(c) does not contain a statement relating to a material development.

If the circumstances require, we shall send a supplementary IAL to the non-interested shareholders of LCB in accordance with subparagraph 11.07(2) of the Rules and the disclosures and announcements of such facts or statements shall be made before 9 a.m. on the next market day, pursuant to subparagraph 11.07(3) of the Rules.

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4. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

DWA Advisory confirms that it is not aware of any circumstances which exist or are likely to give rise to a possible conflict of interest situation for DWA Advisory to carry out the role as the Independent Adviser in relation to the Proposals.

Save for our role as the Independent Adviser for the Proposals as at the LPD, DWA Advisory has not had any professional relationship with LCB at any time during the past two (2) years.

DWA Advisory is an advisory firm incorporated in Malaysia and licensed by the SC (License No. CMSL/A0315/2013) to carry out the regulated activity of advising on corporate finance pursuant to Section 58 of the Capital Markets and Services Act 2007. DWA Advisory has also obtained approval from the SC to act as Independent Adviser under the Rules. DWA Advisory has undertaken the role as an Independent Adviser for corporate exercises in the past three (3) years prior to the Proposals, which include the following:

(i) unconditional mandatory take-over offer by TIZA Global Sdn Bhd (formerly known as Citaglobal Sdn Bhd) through KAF IB to acquire all the remaining ordinary shares, Warrants A, Warrants B and irredeemable convertible preference shares in Citaglobal Berhad (formerly known as WZ Satu Berhad) not already owned by the TIZA Global Sdn Bhd, Tan Sri Dato' Sri (Dr.) Mohamad Norza Bin Zakaria and persons acting in concert, where our independent advice circular was issued on 9 December 2022;

(ii) related party transaction by CIC Construction Sdn Bhd, a wholly-owned subsidiary of Central Global Berhad, involving the acquisition of the remaining 30.00% equity interest in RYRT International Sdn Bhd from RYRT Holdings Sdn Bhd, where our IAL was issued on 4 September 2023;

(iii) exemption for Dato Ir. Tee Chai Seng and person acting in concert with him, from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares in TCS Group Holdings Berhad and warrants B not already owned by them pursuant to subparagraph 4.08(1)(B) of the Rules, where our IAL was issued on 12 March 2024;

(iv) unconditional mandatory take-over offer by KUB Malaysia Berhad through Maybank Investment Bank Berhad to acquire all the remaining ordinary shares in Central Cables Berhad not already owned by them, where our independent advice circular was issued on 1 April 2024;

(v) unconditional mandatory take-over offer by Exsim Hospitality Holdings Sdn Bhd through AmInvestment Bank Berhad to acquire all the remaining ordinary shares in Pan Malaysia Holdings Berhad not already owned by them, as well as Lim Aik Hoe, Lim Aik Kiat and Lim Aik Fu, where our independent advice circular was issued on 8 April 2024;

(vi) unconditional mandatory take-over offer by Khidmat Kejora Sdn Bhd and Neo Pixel Sdn Bhd through M & A Securities Sdn Bhd to acquire all the remaining ordinary shares in Turiya not already owned by them, as well as Tan Sri Datuk Dr Mohan A/L M.K. Swami and Dato Sri Shamir Kumar Nandy, where our independent advice circular was issued on 27 May 2024;

(vii) exemption for Wong Kok Wah, Chan Yoke Chun and the persons acting in concert with them, from the obligation to undertake a mandatory take-over offer for the remaining HLT Global Berhad shares not already owned by them, under the proposed rights issue and upon exercise of their warrants, where our independent advice circular was issued on 14 February 2025; and

(viii) selective capital reduction and repayment exercise of NPC Resources Berhad pursuant to Section 116 of the Act, where our independent advice circular was issued on 3 April 2025.

Premised on the foregoing, DWA Advisory is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of LCB in relation to the Proposals.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

The interests of the Directors, Major Shareholders, chief executive and/or persons connected with them are set out in Section 11 of Part A of the Circular. Save for those disclosed in Section 11 of Part A of the Circular, none of the Directors, Major Shareholders, chief executive and/or persons connected with them have any interests in the Proposals.

6. EVALUATION OF THE PROPOSALS

DWA Advisory has assessed various aspects of the Proposals including the rationale and financial effects of the Proposals. In addition, the Proposals has also been evaluated in accordance with Paragraph 8 of Schedule 2: Part III of the Rules, as its implications to the non-interested shareholders of LCB.

Hence, DWA Advisory's opinion on the fairness and reasonableness of the Proposals is rendered on a holistic approach. In forming our opinion to the non-interested shareholders of LCB, we have considered the following factors in our evaluation of the Proposals:

No.	Item	Sections in this IAL
(a)	Rationale and benefits of the Proposals	**6.1**
(b)	Evaluation of the Purchase Consideration	**6.2**
(c)	Evaluation of the Issue Price	**6.3**
(d)	Evaluation of the salient terms of the SPA	**6.4**
(e)	Effects of the Proposals	**6.5**
(f)	Risk factors	**6.6**
(g)	Economic outlook, industry overview and prospects of the Group	**6.7**
(f)	Implications arising from the voting outcome of the Proposed Exemption	**6.8**

6.1 Rationale and benefits of the Proposals

We have considered the rationale and benefits of the Proposals as set out in Section 4 of Part A of this Circular and our commentaries are summarised below:

6.1.1 Proposed Acquisitions

The rationale for the Proposed Acquisitions is set out in Section 4.1 of Part A of the Circular.

LCB is principally involved in waste recycling and the trading and retailing of leather products, apparels and accessories. LCB, along with its subsidiaries, operates in the following business segments:

Business segments	Principal activities
Retailing	Involved in the trading and retailing of leather products, apparels and accessories.
Waste Recycling	Involved in waste recycling.
Investment Holding	Involved in investment holding.

The contribution of the respective business segments to LCB Group’s financial performance for FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025 are set out as below:

Business segment	Audited FYE 30 June 2023				Audited FYE 30 June 2024				Audited FYE 30 June 2025			
	Revenue		PBT/(LBT)		Revenue		PBT/(LBT)		Revenue		PBT/(LBT)	
	(RM’000)	(%)	(RM’000)	(%)	(RM’000)	(%)	(RM’000)	(%)	(RM’000)	(%)	(RM’000)	(%)
Retailing	148,336	93.18	17,967	99.34	140,752	75.09	11,588	60.08	135,188	65.03	5,469	56.86
Waste Recycling	10,770	6.77	791	4.37	46,688	24.91	9,924	51.45	72,682	34.97	5,554	57.74
Investment Holdings	81	0.05	(672)	(3.71)	-	-	(2,224)	(11.53)	-	-	(1,404)	(14.60)
Total	**159,187**	**100.00**	**18,086**	**100.00**	**187,440**	**100.00**	**19,288**	**100.00**	**207,870**	**100.00**	**9,619**	**100.00**

Retailing

The retail offering includes apparel and leather goods such as wallets, purses, handbags, backpacks, and sling bags. The Group’s distribution strategy is centred around consignment agreements with department stores. As of the LPD, the Group has over 500 consignment counters in major retail outlets. The Group also engages in direct sales to a range of additional retailers as well as on third-party platforms such as Lazada and Shopee.

The segment recorded a revenue of RM140.75 million and a PBT of RM11.59 million for the FYE 30 June 2024 as compared to a revenue of RM148.34 million and a PBT or RM17.97 million for the FYE 30 June 2023. The decline in revenue of the segment for the FYE 30 June 2024 was mainly due to the disposal of the entire equity interest in Active Fit Sdn Bhd (“**Active Fit**”) and 45.00% equity interest in Miroza Leather (M) Sdn Bhd (“**Miroza**”) for a disposal consideration of RM10.00 million and RM33.00 million, respectively. The disposal of Miroza and 80.00% equity interest in Active Fit were completed on 16 June 2023. The disposal of the remainder 20.00% equity interest in Active Fit was completed on 31 May 2024.

The segment further recorded a revenue of RM135.19 million and a PBT of RM5.47 million for the FYE 30 June 2025 as compared to a revenue of RM140.75 million and a PBT of RM11.59 million for the FYE 30 June 2024. The decline was mainly attributed to inflationary pressures, which dampened consumer spending and compressed profit margins.

Waste Recycling

The waste recycling business includes collecting, sorting, recycling and distribution of scrap and waste materials, such as wastepaper, plastics scrap and scrap ferrous metal. The sorted and recycled materials are distributed to plastic resin and paper manufacturers as well as other larger second-hand scrap dealers.

The segment recorded a revenue of RM46.69 million and a PBT of RM9.92 million for the FYE 30 June 2024 as compared to a revenue of RM10.77 million and a PBT of RM0.79 million for the FYE 30 June 2023. The increase in revenue and PBT of the segment for the FYE 30 June 2024 was mainly due to the acquisition of the entire equity interests in NU, Formidex and Waier for a purchase consideration of RM30.00 million, RM11.20 million and RM9.80 million respectively, which were completed on 16 June 2023. The principal activities of NU, Formidex and Waier include the sale, purchase and trading of recycling materials, the provision of slitting services, and the sale of trim waste.

The segment further recorded a revenue of RM72.68 million and a PBT of RM5.55 million for the FYE 30 June 2025 as compared to a revenue of RM46.69 million and a PBT of RM9.92 million for the FYE 30 June 2024. Despite the increase in revenue, the PBT declined by 44.03% as revenue growth was driven largely by lower-margin wholesaling activities, alongside weaker sales in high-margin cleaning services.

Investment Holding

The Investment Holding segment had through MESB Capital & Development Sdn Bhd ("**MESB Capital**"), owned a six-storey terrace shop office bearing address no. 63, Jalan Tasik Selatan 8, Bandar Tasik Selatan, 57000 Kuala Lumpur, which was leased to a third party. The Group had since disposed of MESB Capital for a disposal consideration of RM3.00 million on 16 June 2023.

The segment recorded a LBT of RM2.22 million for the FYE 30 June 2024 as compared to a LBT of RM0.67 million for the FYE 30 June 2023. The segment further recorded a LBT of RM1.40 million for the FYE 30 June 2025 as compared to a LBT of RM2.22 million for the FYE 30 June 2024. The loss for the FYE 30 June 2025 is mainly due to professional advisory fees of approximately RM0.79 million for a corporate proposal undertaken by the Company.

Expand its footprint within the Recycling Business

We noted that the disposal of Active Fit, Miroza and MESB Capital (collectively, "**Disposals**") and acquisition of NU, Formidex and Waier (collectively, "**Acquisitions**") were in line with the Group strategy to diversify into the Recycling Business and to broaden its earnings base as well as reduce its dependency solely on the existing business from the Retailing segment as per approval received from the shareholders of LCB to diversify the businesses of LCB and its subsidiaries to include the collection and recycling of wastepaper, plastics scrap and scrap ferrous materials on 7 April 2021.

As such, the Proposed Acquisitions presents a strategic opportunity for LCB Group to further expand its footprint into the Recycling Business and reduce its reliance on the retail business, which are in line with the Group's long-term strategy. The Proposed Acquisitions will also provide the enlarged Group with a stronger asset base and enhance the earnings potential of the Group through the consolidation of the financial performance of the Acquiree Companies.

Furthermore, pursuant to the SPA, the Vendors have provided a two (2) year Profit Guarantee of RM16.00 million in aggregate on the PAT of the Acquiree Companies for the FYE 30 April 2025/ 30 June 2025 and FYE 30 April 2026/ 30 June 2026. The Board (save for the Interested Directors) is of the opinion that the Profit Guarantee is reasonable and realistic, after taking into consideration, amongst others, the implied PER of the Acquiree Companies, the outlook of the waste recycling industry and the future prospect of the LCB Group, as set out in Section 2.5 of Part A of the Circular.

Issuance of Consideration Shares

The Purchase Consideration of RM100,000,000 will be satisfied via a combination of RM35,011,000 Cash Consideration and issuance of 156,600,000 Consideration Shares at the Issue Price of RM0.415 per Consideration Share.

We noted that the partial settlement of the Purchase Consideration through the Consideration Shares enables the Group to acquire the Acquiree Companies without any immediate impact on its cash position and at the same time, strengthen its capital base. Further, this will relieve the Group of the need to obtain borrowings to finance the Purchase Consideration and translates to savings in terms of interest expense and the financial commitment to repay borrowings. However, the Cash Consideration shall be settled by the Company within 36 months from the completion date of the SPA. As at 30 June 2025, the Group's audited borrowings stood at approximately RM1.70 million.

The Board (save for the Interested Directors) is of the view that the issuance of the Consideration Shares is appropriate after taking into consideration the gearing ratio, level of borrowings and cash flow requirements of the group as it will provide the Group with flexibility to utilise its existing financial resources for the working capital requirements and/or to fund the growth of the Group's businesses.

Nevertheless, following the completion of the Proposals, the collective shareholdings of DWSK, LESB and their PACs in LCB will increase from 38.70% to 70.60% and on the other hand, the shareholdings held collectively by the non-interested shareholders in LCB will be diluted from 61.30% to 29.40%.

Premised on the above, we are of view that the rationale for the Proposed Acquisitions is reasonable and not detrimental to the interest of the non-interested shareholders of LCB. Nevertheless, the non-interested shareholders of LCB should note that the potential benefits arising from the Proposed Acquisitions are subject to certain risk factors as disclosed in Section 5 of Part A of Circular.

6.1.2 Proposed Exemption

The rationale for the Proposed Exemption is set out in Section 4.2 of Part A of the Circular.

The Proposed Exemption will relieve DWSK, LESB and their PACs from the obligation to undertake the Mandatory Offer upon completion of the Proposed Acquisitions as it is not their intention to undertake the Mandatory Offer. As the Proposed Acquisitions and the Proposed Exemption are inter-conditional upon each other, the Proposed Exemption is necessary for the successful completion of the Proposed Acquisitions.

As at the LPD, DWSK directly holds 38,407,898 LCB Shares, representing approximately 26.62% of the total issued share capital of LCB.

Upon completion of the Proposed Acquisitions:

(i) the shareholding of LESB in LCB is expected to increase from nil to 35.39%, where LESB will be obliged to undertake a Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules;

(ii) the shareholding of DWSK, which includes the Shares held by LESB (a company in which DWSK holds a 99.05% controlling interest) in LCB, based on the single entity concept, is expected to increase from 26.26% to 57.31%, where DWSK and LESB will be obliged to undertake a Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules. Under the single entity concept, in determining whether DWSK and LESB have incurred a Mandatory Offer, the shareholding of LESB, which DWSK has statutory control over (holding more than 50.00% of the voting shares or voting rights in the company), is taken into account; and

(iii) the collective shareholdings of DWSK, LESB and their PACs in LCB are expected to increase from 38.70% to 70.60%, where DWSK, LESB and their PACs will be obliged to undertake the Mandatory Offer pursuant to subsection 218(3) of the CMSA read together with section 15 of the Malaysian Code on Take-Overs and Mergers 2016 and subparagraph 4.01(b) of the Rules.

The changes in the shareholdings are as illustrated below:

	As at the LPD		**After the Proposed Acquisitions**	
	No. of LCB Shares	**%**	**No. of LCB Shares**	**%[1]**
DWSK	38,407,898	26.62	65,969,498	21.92
LESB	-	-	106,488,000	35.39
	38,407,898	26.62	172,457,498	57.31
PACs				
Yau Ming Teck[(2)]	11,324,206	7.85	11,324,206	3.76
LWF[(3)]	6,104,801	4.23	11,116,001	3.70
CJH[(4)]	-	-	17,539,200	5.83
Wong Yu Perng[(5)]	-	-	-	-
	17,429,007	12.08	39,979,407	13.29
Total	**55,836,905**	**38.70**	**212,436,905**	**70.60**

Notes:

(1) *Based on the enlarged issued share capital of LCB of 300,894,425 Shares after the Proposed Acquisitions.*

(2) *He is deemed as a PAC to DWSK by virtue of paragraph 216(2)(a) of the CMSA and subparagraph 4.03(1)(a) of the Rules as he is a substantial shareholder of LCB and was the joint offeror with DWSK in the conditional mandatory take-over offer on LCB, with the notice of conditional mandatory take-over offer served to LCB on 16 October 2020.*

(3) *She is deemed as a PAC to DWSK by virtue of subsection 216(2) of the CMSA as she is one of the Vendors under the SPA.*

(4) *He is deemed as a PAC to DWSK by virtue of subsection 216(2) of the CMSA as he is one of the Vendors under the SPA.*

(5) *He is deemed as a PAC to DWSK by virtue of paragraph 216(3)(h) of the CMSA as he is the Non-Independent Non-Executive Director of LCB and the son of DWSK.*

Pursuant thereto, DWSK, LESB and their PACs will be obliged to undertake the Mandatory Offer pursuant to subsections 218(2) and 218(3) of the CMSA, section 15 of the Malaysian Code on Take-Overs and Mergers 2016 and paragraph 4.01 of the Rules. However, it is not the intention of DWSK, LESB and their PACs to undertake the Mandatory Offer as a result of the Proposed Acquisitions.

In this regard, DWSK, LESB and their PACs intend to seek an exemption from the SC pursuant to subparagraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer, after obtaining the approval from the non-interested shareholders of LCB for the Proposed Exemption, by way of poll, at the forthcoming EGM.

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Premised on the above, we are of the view that the rationale for the Proposed Exemption is justifiable as the Proposed Acquisitions and Proposed Exemption are inter-conditional upon each other, the Proposed Exemption is necessary for the successful completion of the Proposed Acquisition and to allow the Company to execute its long term plan to boost revenue from the Recycling Segment while reducing reliance on the Retail Segment.

6.2 Evaluation of the Purchase Consideration

As stated in Section 2.5 of Part A of the Circular, the Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following:

(i) the future earnings potential of the Acquiree Companies pursuant to the outlook and prospects of the waste recycling industry, where the Acquiree Companies are involved in;

(ii) the Valuation Ranges as apprised by AER, vide the Valuation Report as follows:

(a) fair equity value range for Earthwise of between RM62.4 million and RM71.3 million; and

(b) fair equity value range for Expert Group of between RM29.1 million and RM33.1 million.

(iii) the Profit Guarantee, which represents an implied PER of 12.5 times based on an average profit guarantee of RM8.0 million per year.

In evaluating the Purchase Consideration, we have considered various valuation methodologies, which are commonly used for the valuation of businesses similar to the Acquiree Companies, taking into consideration the Acquiree Companies' future earnings generating capabilities, its sustainability as well as various business considerations and risk factors affecting its businesses, amongst others, non-renewal or revocation or suspension of licence to conduct recycling activities, dependency on suppliers and fluctuation in commodity prices.

In arriving at the equity value of the Acquiree Companies, we are also of the view that the discounted cash flow ("**DCF**") method is the most appropriate valuation methodology and as such used as our primary valuation methodology as we noted that the estimated future cash flows to be derived from the sale of wastepaper, plastic scrap, aluminium scrap and scrap ferrous metal as well as waste management services provided by the Acquiree Companies are expected to be consistent and predictable for the immediate future and thus can be projected by the management of the Acquiree Companies. The DCF method is a valuation method that considers both the time value of money and the future cash flows to be generated by the Acquiree Companies over a specified period of time. As the methodology entails the discounting of the future cash flows to be generated from the Acquiree Companies as a specified discount rate to arrive at the net present value, the riskiness of generating such cash flows will also be taken into consideration.

We have reviewed the future financial information of the Acquiree Companies for a five (5)-year period from the FYE 30 April 2025/ 30 June 2025 to the FYE 30 April 2029/ 30 June 2029 ("**Future Financials**") which was prepared by the management of the Acquiree Companies based on estimates and assumptions on a best effort basis. The use of five (5)-year period of Future Financials is fair and adequate for the purpose of our evaluation as it incorporates the financial projections of the Acquiree Companies during the Profit Guarantee period plus the subsequent three (3) financial years from the FYEs 30 April 2027/30 June 2027 to 30 April 2029/ 30 June 2029. We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD. For the avoidance of doubt, the Future Financials exclude transactions among the Acquiree Companies.

The key bases and assumptions adopted in the preparation of the Future Financials are as follows:

(i) the Acquiree Companies will continue to operate on a going concern basis;

(ii) there will be no significant changes in the principal activities, group structure, key management personnel, operating policies, accounting and business policies presently adopted by LCB Group;

(iii) the Future Financials have been prepared based on prevailing economic conditions and information available as at the date of its preparation and do not encompass any assessment of the potential for future changes in the economic conditions in Malaysia which the Acquiree Companies has operations in;

(iv) there will be no material changes in the political, social and economic conditions, taxation, monetary and fiscal policies and inflation in Malaysia which the Acquiree Companies has operations in that will have direct and indirect effects on the activities and performance of the Acquiree Companies and the business of the Acquiree Companies' customers and suppliers;

(v) there will be no material changes to the present legislation and government's regulations and other operation regulations or restrictions affecting the Acquiree Companies' activities or the market in which it operates;

(vi) the statutory income tax rate and other relevant duty and tax rate applicable to the Acquiree Companies will remain at their respective existing rates with no significant changes in the bases of taxation and there will be no significant changes in the structure which would adversely affect the cash flow of the Acquiree Companies;

(vii) there will be no material adverse effect from service disruptions, equipment breakdown or other similar occurrences, wars, epidemic, terrorist attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of the Acquiree Companies;

(viii) the rate of inflation will not fluctuate significantly from their projected levels;

(ix) there will be no significant changes in the wages, supplies, administration, overhead expenses and other costs other than those forecasted and projected;

(x) there will be no termination of any significant agreements or contracts from which the legal rights accruing to the Acquiree Companies, in respect of the principal activities, are derived; and

(xi) there will be adequate supply of manpower and other relevant resources to the Acquiree Companies for its business activities.

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In order to derive the equity value of the Acquiree Companies, we have discounted the FCFE projected at the cost of equity ("**Ke**") using the approach, together with the key bases and assumptions adopted as described below:

No.	Key bases and assumptions		Description
1.	FCFE	Based on the Future Financials of the Acquiree Companies from FYE 2025 to FYE 2029	Discounted FCFE approach is the free cash flows available to be paid to the shareholders of the company after all expenses, reinvestment and debt repayment. In undertaking the discounted FCFE approach of estimating the indicative values of the Acquiree Companies, we have relied on the Future Financials of the Acquiree Companies. We have also reviewed the key bases and assumptions for the Future Financials of the Acquiree Companies from FYE 2025 to FYE 2029 prepared by the management of the Acquiree Companies. One of the key assumptions for the discounted FCFE approach is the choice of a discount rate that takes into account the relevant market interest and inflation rates as well as the business and financial risks relating to the business. In arriving at the appropriate discount rate for the valuation, we have applied the prevailing risk-free rate and market risk premium, as well as adopted the beta of the selected comparable public listed companies after taking into consideration the risk factors associated with the Acquiree Companies. A terminal value is also included in our analysis as the businesses of the Acquiree Companies are expected to continue beyond the future financials of the Acquiree Companies from FYE 2025 to FYE 2029.
2.	Ke	7.55% and 8.05%	Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for Earthwise and Expert Group, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity based on the following formula: $Ke = Rf + \beta (Rm - Rf)$ Based on the formula above, we have derived a Ke of 7.55% and 8.05% for Earthwise and Expert Group, respectively.
3.	Risk free rate of return	3.51%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of ten (10)-year Malaysian Government Securities ("**MGS**"). As extracted from the Bank Negara Malaysia website, the said yield is 3.51% as at the LPD.
4.	Expected market rate of return ("**Rm**")	9.58%	Expected market rate of return or equity risk premium ("**ERP**") represents the expected rate of return of investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our opinion, the expected market rate of return for the FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia as it is a forward-looking estimate of market return. As extracted from Bloomberg, the expected market rate of return for the FTSE Bursa Malaysia Top 100 Index as at the LPD is 9.58%.

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No.	Key bases and assumptions		Description
5.	Beta ("**β**")	0.65	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 one (1) signifies that the asset is riskier than the market and vice versa. The Acquiree Companies are not listed companies, as such in deriving the estimated beta of waste recycling business, we have relied on the 5-year raw historical beta of the comparable companies listed on Bursa Securities up to the LPD, which are principally involved in waste recycling related businesses. There are no companies which are exactly similar or directly comparable to the comparable companies in terms of, amongst others, the composition of business activities, geographical location of operations, historical performance, risk profile, customer profile and future prospect. However, we are of the view that the identified companies are reasonable to be adopted for the purpose of deriving the estimated beta of the Acquiree Companies. As the historical beta was extracted from Bloomberg based on the capital structure of the comparable companies, we have unlevered the raw beta of the comparable companies and derived a simple average beta for the comparable companies of the Acquiree Companies which we then re-levered the simple average beta of the comparable companies based on the capital structure of the Acquiree Companies. As the Acquiree Companies are principally involved in the recycling business, as a core business operation, in arriving at the discount rates of the indicative values of the Acquiree Companies, we have selected public listed comparable companies involved in the recycling business as the comparable companies ("**Comparable Companies**") which we view as broadly comparable to the Acquiree Companies. The Comparable Companies identified and used in determining the estimated beta to derive the estimated indicative values of the Acquiree Companies are as follows:

No.	Company	Market Capitalisation[(1)] (RM' million)	Un-levered beta
(i)	JAG Bhd	200.63	0.77
(ii)	Tex Cycle (M) Bhd	283.32	0.82
(iii)	Muda Holdings Bhd	247.09	0.36
Average un-levered beta			0.65

Note:

(1) *As at the LPD.*

Further details of the Comparable Companies are in the ensuing section.

<table>
<tr><th>No.</th><th colspan="2">Key bases and assumptions</th><th>Description</th></tr>
<tr><td>6.</td><td>Illiquidity discount</td><td>20.00%</td><td>Generally, unlisted companies tend to command a lower valuation range vis-à-vis its listed peers due to factors such as illiquidity and lack of marketability of securities. The application of a discount for lack of marketability reflects the illiquidity of the shares of non-listed companies which are not freely tradeable as compared to public listed companies.

In evaluating the Acquiree Companies, we have considered a range of illiquidity discounts of between 20.00% and 30.00% to compensate for the lack of liquidity/ marketability of the shares of the Acquiree Companies.

We are of the view that the illiquidity rate of 20.00% is fair after considering the Profit Guarantee provided by the Vendors which offers the Group assurance of the profitability of the Acquiree Companies for the FYE 2025 and FYE 2026. This provides greater certainty on the financial performance of the Acquiree Companies during the Guarantee Period (defined herein).

The range of illiquidity discounts between 20.00% to 30.00% is extracted from:
https://pages.stern.nyu.edu/~adamodar/pdfiles/country/illiquidity.pdf.</td></tr>
<tr><td>7.</td><td>Perpetuity growth rate (“g”)</td><td>1.50% - 2.50%</td><td>The terminal value is the present value of an entity at a future point in time. For the period beyond the FYE 2029, we have adopted a range of g of 1.50% to 2.50% on the FCFE, which we view as reasonable after taking into consideration the projected inflation rate of 1.50% - 2.50% for 2025 (Source: Economic Outlook 2025, Ministry of Finance).

Based on the above, we derived the terminal value (in present terms) on the Acquiree Companies based on the following formula:

$$\text{Terminal value (in present terms)} = \frac{\text{Expected sustainable level of FCFE} \times (1 + g)}{(Ke - g)} \times \frac{1}{(1 + Ke)^n}$$

Premised on the above, the present value of terminal value of the Acquiree Companies are as follows:

<table><tr><th></th><th>Low Range[1] (RM’ 000)</th><th>High Range[2] (RM’ 000)</th></tr><tr><td>Earthwise</td><td>99,178</td><td>120,002</td></tr><tr><td>Expert Group</td><td>40,385</td><td>48,130</td></tr><tr><td>Total</td><td>139,563</td><td>168,132</td></tr></table>
Notes:

(1) Based on a growth rate of 1.50%.

(2) Based on a growth rate of 2.50%.</td></tr>
</table>

We noted that the Acquiree Companies do not have any surplus assets which are assets that are held by a business that are not core to its underlying operations and do not support the business in any way.

Based on the above, the estimated indicative values of the Acquiree Companies are as follows:

	Low Range (RM'000)	High Range (RM'000)
Earthwise		
Present value of FCFE[1]	31,038	31,038
Present value of terminal value[2]	99,178	120,002
	130,216	151,040
Less: 20.00% illiquidity discount	(26,043)	(30,208)
Total	104,173	120,832
Expert Group		
Present value of FCFE[1]	15,807	15,807
Present value of terminal value[2]	40,385	48,130
	56,192	63,937
Less: 20.00% illiquidity discount	(11,238)	(12,787)
Total	44,954	51,150
Equity value of the Acquiree Companies	**149,126**	**171,982**

Notes:

(1) *Computed based on the following formula:*

$$\text{Present value of FCFE based on the Future Financials of the Acquiree Companies from FYE 2025 to 2029} = \frac{FCFE}{(1 + K_e)^n}$$

Whereby, n represents time, in years in the future

(2) *Computed based on the following formula:*

$$\text{Present value of terminal value} = \frac{\text{Final year FCFE} \times (1 + g)}{(K_e - g) \times (1 + K_e)^n}$$

Whereby, n represents the last year of the Future Financials of the Acquiree Companies from FYE 2025 to FYE 2029

We noted that the Purchase Consideration of RM100.00 million is below the estimated range of indicative values of the Acquiree Companies of RM149.13 million to RM171.98 million based on the DCF method of valuation, representing a discount of 32.94% to 41.85%. As such, we are of the view that the Purchase Consideration is fair.

In addition to the DCF Valuation, we have also assessed the fairness of the Purchase Consideration based on the analysis of the Comparable Companies to cross-check the valuation derived from the primary method. The Comparable Companies analysis is a valuation method that compares the relevant trading multiples of listed companies which are broadly comparable to the Acquiree Companies to get an indication of the current market expectation with regard to the implied value of the equity interest in the Acquiree Companies and compare to the implied trading multiples to determine the firm's financial worth.

The Acquiree Companies mainly derives its revenue and profits from the Recycling Business. We wish to highlight that there are no companies listed on Bursa Securities which are exactly similar or directly comparable to the Acquiree Companies in terms of the composition of business activities, geographical location of operations, historical performance, risk profile, customer profile, future prospects, marketability and liquidity of the companies' shares.

For the purpose of evaluation the Purchase Consideration, we have selected the following Comparable Companies that are listed on Bursa Securities based on the following criteria:

(i) involvement mainly in the Recycling Business;

(ii) more than 80.00% of its latest financial year's consolidated revenue is derived from waste recycling segment;

(iii) market capitalisation as at the LPD of below RM300.00 million based on the combined net asset of the Acquiree Companies as at 30 June 2024 of RM10.68 million. Selecting larger size Comparable Companies, which are more widely followed by analyst and investors leads to more efficient pricing of the shares, and thus their valuation multiples may be used as reference.

The above criteria were determined after taking into consideration the following:

(i) the Acquiree Companies are principally engaged in the Recycling Business as disclosed in Appendix III and Appendix IV of the Circular;

(ii) the audited shareholders fund of Earthwise of RM2.81 million as at 30 April 2024 and Expert Group of RM7.86 million as at 30 June 2024; and

(iii) the Purchase Consideration of Acquiree Companies of RM100.00 million in relation to the Proposed Acquisitions.

A brief description of the Comparable Companies' principal activities and their market capitalisation as at the LPD are as follows:

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Comparable Companies/ Country	Market capitalisation as at the LPD (RM' million)	Percentage from recycling business (%)	Principal activities
JAG Berhad/ Malaysia	200.63	93.60	Principally involved in the business of total waste management, lifestyle and services, investment holding and property investment and development through its subsidiaries.
Tex Cycle (M) Berhad/ Malaysia	283.32	88.12	Principally engaged in manufacturing, recovery and recycling business.
Muda Holdings Berhad/ Malaysia	247.09	87.39	The group's major activities include collector of waste paper in multiple locations across Peninsular Malaysia, manufacture of industrial grade paper such as corrugated medium, test liner, grey board, core board, machine glazed paper, manufacture of corrugated carton boxes and board, manufacture for food packaging paper such as hawker paper, deli wrapping paper and paper bags, other paper related business that includes trading of stationaries.

(Source: Bloomberg)

The earnings-based valuation metric which involves the analysis of the PER, price-to-book multiples ("**PBR**") and enterprise value ("**EV**")/ earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") ("**EV/EBITDA**") as follows:

(i) PER

PER is a valuation metric that compares a company's share price against its EPS. It can be useful to compare the PER to that of its peers to gauge the company's value relative to its peers. A higher PER may indicate that investors are willing to pay more for a RM's worth of earnings from the company.

(ii) PBR

PBR is a valuation metric that compares a company's market value against its net assets. A PBR of more than one (1) time would mean that the market value accorded to the company is more than the NA attributable to the shareholders of the company and may therefore indicate that the company is valued higher.

(iii) EV/EBITDA

EV is the aggregate value of the respective companies' market capitalisation, non-controlling interests and debt net of any cash and cash equivalents. EV/EBITDA ratio is commonly used in valuations as it is not affected by the differing leverage levels and borrowing costs as well as depreciation and amortisation policies. Also, it eliminates the impact from non-operating items. Hence, EV/EBITDA ratio is arrived at by comparing a company's EV against its EBITDA.

For comparison purposes, we have reviewed the PER, PBR and EV/EBITDA ratios of the comparable companies, which are set out below:

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Comparable Companies	PER (Times)	PBR (Times)	EV/EBITDA (Times)
JAG Berhad	34.01*	0.94	10.28
Tex Cycle (M) Berhad	17.35	1.50	11.58
Muda Holdings Berhad	N/A[(1)]	0.20	16.36
High	17.35	1.50	16.36
Low	17.35	0.20	10.28
Average (excluding outliers)	N/A	0.88	12.74

Notes:

* *Outlier.*

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

We have evaluated the Purchase Consideration using the PBR however, we are of the view that the PBR analysis may not be appropriate in view that the Recycling Business is not an asset-intensive business as evidenced by Earthwise and Expert Group's percentage of property, plant and equipment over its NA of 20.03% and 24.97% as at 30 April 2024 and 30 June 2024, respectively. The PBR comparison above are provided for shareholder's reference only.

Generally, unlisted companies tend to command a lower valuation range vis-à-vis its listed peers due to factors such as illiquidity and lack of marketability of securities. The application of a discount for lack of marketability reflects the illiquidity of the shares of non-listed companies which are not freely tradeable as compared to public listed companies.

In evaluating the Acquiree Companies, we have considered a range of illiquidity discounts between 20.00% and 30.00% to compensate for the lack of liquidity/ marketability of the shares of the Acquiree Companies. We have applied an illiquidity discount rate of 20.00% after considering the Profit Guarantee provided by the Vendors which offers the Group assurance of the profitability of the Acquiree Companies for the FYE 2025 and FYE 2026. This provides greater certainty on the financial performance of the Acquiree Companies during the Guarantee Period (defined herein). The range of illiquidity discounts between 20.00% to 30.00% is extracted from: https://pages.stern.nyu.edu/~adamodar/pdfiles/country/illiquidity.pdf.

(i) PER

Based on the PAT for the Acquiree Companies for FYE 2024 and the range of PER of the Comparable Companies, the indicative range of values for the Acquiree Companies are as follows:

	Earthwise	Expert Group	Acquiree Companies
PAT for FYE 2024 (RM' mil)	0.57	3.45	4.02
PER of Comparable Companies (times)	17.35	17.35	17.35
Estimated values	9.89	59.86	69.74
Less: 20.00% illiquidity discount (RM' mil)	(1.98)	(11.97)	(13.95)
Indicative range of values (RM' mil)	**7.91**	**47.89**	**55.79**

Based on the above, we observed that:

(a) the Purchase Consideration for Earthwise of RM68.00 million is above the indicative valuation of RM7.91 million (representing a premium of approximately 759.67% from the valuation);

(b) the Purchase Consideration for Expert Group of RM32.00 million is below the indicative valuation of RM47.89 million (representing a discount of approximately 33.18% from the valuation); and

(c) the Purchase Consideration of the Acquiree Companies of RM100.00 million is above the indicative valuation of RM55.79 million (representing a premium of approximately 79.24% from the valuation).

However, given the Company shall not be obliged to complete the sale or purchase of any of the Sale Shares (defined herein) unless the sale or purchase of all Sale Shares are completed simultaneously, due consideration should be given to the range of indicative valuation of the Acquiree Companies on a collective basis as well as the average Profit Guarantee of RM8.00 million (being the Profit Guarantee of RM16.00 million divided by the 2 year Guarantee Period for FYEs 30 April 2025/30 June 2025 and 30 April 2026/30 June 2026 of the Acquiree Companies ("**Average Profit Guarantee**")) as follows:

	Acquiree Companies
Average Profit Guarantee (RM' mil)	8.00
PER of Comparable Companies (times)	17.35
Estimated values	138.79
Less: 20.00% illiquidity discount (RM' mil)	(27.76)
Indicative range of values (RM' mil)	**111.04**

We noted that based on the Average Profit Guarantee of RM8.00 million, the Purchase Consideration for the Acquiree Companies of RM100.00 million is below the indicative valuation of RM111.04 million (representing a discount of approximately 9.94% from the valuation).

(ii) EV/EBITDA

Based on the EBITDA of the Acquiree Companies for FYE 2024 and the range of EV/EBITDA of the Comparable Companies, the indicative range of values for the Acquiree Companies are as follows:

	Earthwise		**Expert Group**		**Acquiree Companies**	
	Low	**High**	**Low**	**High**	**Low**	**High**
EBITDA for FYE 2024 (RM' mil)	1.81	1.81	5.03	5.03	6.84	6.84
EV/EBITDA of Comparable Companies (times)	10.28	16.36	10.28	16.36	10.28	16.36
EV	18.61	29.60	51.71	82.27	70.32	111.87
Less: Borrowings	(0.17)	(0.17)	(1.55)	(1.55)	(1.73)	(1.73)
Equity values	18.44	29.43	50.16	80.72	68.59	110.14
Less: 20.00% illiquidity discount (RM' mil)	(3.69)	(5.89)	(10.03)	(16.14)	(13.72)	(22.03)
Indicative range of values (RM' mil)	**14.75**	**23.54**	**40.13**	**64.58**	**54.88**	**88.12**

We noted that the Acquiree Companies do not have any surplus assets which are not core to its underlying operations and not supporting the business.

Based on the above, we observed that:

(i) the Purchase Consideration for Earthwise of RM68.00 million is above the range of indicative valuations of RM14.75 million and RM23.54 million and above the average of RM19.15 million (representing a premium of approximately 255.13% from the average);

(ii) the Purchase Consideration for Expert Group of RM32.00 million is below the range of indicative valuations of RM40.13 million and RM64.58 million and below the average of RM52.35 million (representing a discount of approximately 38.87% from the average); and

(iii) the Purchase Consideration of the Acquiree Companies of RM100.00 million is above the range of indicative valuations of RM54.88 million and RM88.12 million and above the average of RM71.50 million (representing a premium of approximately 39.86% from the average).

We noted that the Purchase Consideration of Earthwise of RM68.00 million is high against the indicative valuation of RM7.91 million based on the Comparable Companies' PER ratios (representing a premium of approximately 759.67% from the valuation) as well as against the indicative valuations of RM14.75 million and RM23.54 million based on Comparable Companies' EV/EBITDA ratios and above the average of RM19.15 million (representing a premium of approximately 255.13% from the average).

The Purchase Consideration of the Acquiree Companies of RM100.00 million is also high against the indicative valuation of RM55.79 million based on the Comparable Companies' PER ratios (representing a premium of approximately 79.24% from the valuation) as well as high against the indicative valuations of RM54.88 million and RM88.12 million based on the Comparable Companies' EV/EBITDA ratios and above the average of RM71.50 million (representing a premium of approximately 39.86% from the average).

The high Purchase Consideration for Earthwise and the Acquiree Companies is principally due to the weaker historical PAT of Earthwise for the FYE 2024 of RM0.57 million dragging down the total PAT of the Acquiree Companies to RM4.02 million. However, in justifying the Purchase Consideration of the Acquiree Companies, due consideration should also be given to the Profit Guarantee provided by the Vendor and the potentially strong future earnings of the Acquire Companies largely contributed by much stronger earnings growth of Earthwise as stated in Section 2.5 of Part A of the Circular.

Accordingly, we noted that based on the Average Profit Guarantee of RM8.00 million, the Purchase Consideration for the Acquiree Companies of RM100.00 million is below the indicative valuation of RM111.04 million (representing a discount of approximately 9.94% from the valuation). As such, based on our secondary assessment, which was used to cross-check the valuation derived from the primary method, we are of the view that the Purchase Consideration is fair.

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6.3 Evaluation of the Issue Price

6.3.1 Mode of settlement of the Purchase Consideration

As stated in Section 2.1 of Part A of the Circular, the Purchase Consideration will be partly satisfied by the issuance of 156,600,000 Consideration Shares at an Issue Price of RM0.415 per Consideration Share to the Vendors, subject to the terms and conditions of the SPA, at the Completion Date (defined herein).

The partial settlement of the Purchase Consideration through the issuance of Consideration Shares enables the Group to conserve cash, mitigating any material impact on its cash flows compared to a full cash settlement. Furthermore, the Group is not required to significantly increase its bank borrowings to finance the Purchase Consideration. The Group shall fund the Cash Consideration amounting to approximately RM35.01 million via a combination of the Group's internally generated funds and/or bank borrowings. Should the Group fund the Cash Consideration fully via cash, the Group as at 30 June 2025 has an audited cash and bank balances amounting to approximately RM21.25 million. Should the Group fund the Cash Consideration via bank borrowings, it will incur additional interest costs associated with bank borrowings.

Premised on the above, we are of the view that the mode of settlement is reasonable and not detrimental to the non-interested shareholders of LCB.

6.3.2 Basis and justification for the Issue Price

Section 2.6 of Part A of the Circular sets out the basis and justification for the Issue Price.

In evaluating the Issue Price of RM0.415 per Consideration Share to be issued pursuant to the Proposed Acquisitions, we have taken into consideration the historical closing market prices of LCB Shares and the discount of RM0.0035 or 0.84% to the five (5)-day volume-weighted average market price ("**VWAMP**") of LCB Shares up to and including the LTD of RM0.4185.

The movement of the daily closing market prices of LCB Shares on the Bursa Securities for the past 1 year up to the LTD and the LPD is depicted in the share price chart below:

(Source: Bloomberg)

Based on the graph above, we noted that the closing prices of LCB Shares have generally been trading between a low of RM0.295 and a high of RM0.655 for the past 1 year up to the LTD and the LPD. Hence, the Issue Price per Consideration Share is within the highest and lowest traded market prices of LCB Shares for the past 1 year up to the LTD and the LPD.

In addition, we have also considered the discounts implied by the Issue Price per Consideration Share vis-á-vis the relevant VWAMP of the LCB Shares as follows:

Basis of comparison based on	VWAMP/ Closing Price	Premium/ (Discount) over VWAMP/ Closing Price	
	(RM)	(RM)	(%)
Up to and including the LTD			
Closing market price	0.4400	(0.0250)	(5.68)
Five (5)-day VWAMP	0.4185	(0.0035)	(0.84)
One (1)-month VWAMP	0.4342	(0.0192)	(4.42)
Three (3)-months VWAMP	0.4594	(0.0444)	(9.66)
Six (6)-months VWAMP	0.5511	(0.1361)	(24.69)
Twelve (12)-months VWAMP	0.5291	(0.1141)	(21.56)
Up to the LPD			
Closing market price	0.3200	0.0950	29.69
Five (5)-day VWAMP	0.3178	0.0972	30.59

(Source: Bloomberg)

Based on the table above, we noted that the Issue Price per Consideration Share represents:

(i) discounts ranging from RM0.0035 to RM0.1361 (0.84% to 24.69%) to the last transacted market price of LCB Shares as at the LTD and the 5-day, 1-month, 3-month, 6-month and 1-year VWAMPs of LCB Shares up to the LTD; and

(ii) premiums ranging from RM0.0950 to RM0.0972 (29.69% to 30.59%) to the last transacted market price of LCB Shares as at the LPD and the 5-day VWAMP of LCB Shares up to the LPD.

We noted that the Issue Price represents a discount of 63.83% to the audited NA per Share of the Company of RM1.15 as at 30 June 2025. The issue of LCB shares at a price lower than market price will result in a greater dilution to the non-interested shareholders' shareholding in LCB as more LCB Shares will be issued to the Vendors as part of the Purchase Consideration. We also noted the slight discount of 5.68% accorded to the Issue Price against the closing price as at the LTD and a premium of 29.69% accorded to the Issue Price against the closing price as at the LPD.

Notwithstanding the above, the non-interested shareholders should also consider the advantages of the Proposed Acquisitions as summarised below:

(i) the Proposed Acquisitions are expected to contribute positively to the future earnings of the enlarged LCB Group;

(ii) the Proposed Acquisitions align with the Group's long-term strategy to expand its footprint within the Recycling Business and reduce reliance on its retail business;

(iii) the integration of the Acquiree Companies into the Group's portfolio will enhance operational synergies and drive efficiency gains through improved economies of scale;

(iv) the Proposed Acquisitions will potentially impact the Group's growth prospects in the medium to long term, and create additional value for the LCB Group's shareholders, further capitalising on the growth opportunities within the Recycling Business;

(v) the Purchase Consideration is below the fair value range of the entire equity interest in the Acquiree Companies using the FCFE approach of between RM149.13 million and RM171.98 million, representing a discount of 32.94% to 41.85%; and

(vi) with the issuance of the Consideration Shares, the LCB Group is not required to significantly increase its borrowings to finance the Proposed Acquisitions and allows the Group to minimise additional interest costs associated with bank borrowings.

Premised on the above, we are of the view that the Issue Price is justifiable.

6.4 Evaluation of the Salient Terms of the SPA

We have reviewed the salient terms of the SPA as set out in Appendix I of the Circular and our commentary on the pertinent salient terms are set out below:

Salient terms of the SPA	Our comments
1.0 AGREEMENT	
1.1 Sale and Purchase of Sale Shares	
The Vendors as the legal and beneficial owner of all the ordinary shares in Earthwise and Expert, comprising 100% of the total issued share capital of Earthwise and Expert ("**Sale Shares**") agree to sell to the Company and the Company agrees to purchase the Sale Shares free from security interest together with all rights attached and all dividends, rights and distributions declared, paid or made in respect of the same on the terms and conditions of the SPA as at the completion of the SPA ("**Completion**").	This term is justifiable as it would ensure that the Sale Shares are acquired free from any security interest together with all rights attached.
1.2 Purchase Consideration	
The Purchase Consideration for the Sale Shares was arrived at on a "willing buyer-willing seller" basis.	This term is justifiable as the Purchase Consideration were mutually agreed upon between the Vendors and the Company. Please refer to our evaluation on the Purchase Consideration and the Issue Price as set out in Sections 6.2 and 6.3 of this IAL, respectively.
1.2.1 Mode of Payment	
The Purchase Consideration for the Sale Shares shall be satisfied by a combination of Cash Consideration and issuance of Consideration Shares in the following manner:-	We are of the view that the partial settlement of the Purchase Consideration via the combination of Cash Consideration and the issuance of Consideration Shares is reasonable as it enables the Group to conserve cash, mitigating any material impact on its cash flows compared to a full cash settlement.

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Salient terms of the SPA	Our comments
(i) via the issuance and allotment of 156,600,000 Consideration Shares at the Issue Price to the Vendors (or such person(s) nominated by the Vendors) in the proportion and manner as set out in the SPA, representing and amounting to RM64,989,000.00 only on the completion date of the SPA ("**Completion Date**"); and (ii) via the payment of RM35,011,000.00 only in cash to the Vendors (or such person(s) nominated by the Vendors) in the proportion and manner as set out in the SPA by way of electronic transfer within 36 months from the Completion Date.	Furthermore, with the Cash Consideration amounting to only approximately RM35.01 million, the Group is not required to significantly increase its borrowings to finance the Proposed Acquisitions as the Company has cash and bank balances amounting to approximately RM21.25 million as at 30 June 2025. Thus, this approach allows the Group to minimise additional interest costs associated with bank borrowings. We also noted that the payment terms for the Cash Consideration stipulate a period of 36 months from the Completion Date. While this duration is not typical, it is structured to the benefit of the Company and at no interest. As at the LPD, no fixed payment schedule has been established, thereby providing the Company with the necessary financial flexibility to manage its payment obligations in accordance with the Group's available cash reserves and overall liquidity position. The Group may consider making partial payments of up to RM19.011 million towards the Cash Consideration prior to the end of the Guaranteed Period, being the difference between the Cash Consideration and the Profit Guarantee, subject to sufficient cash reserves. We are of the view that the later the payment is made by the Group to the Vendors, the better it would be financially for the Group. The later the payment is made, the Group would be able to earn interest income from the funds which would otherwise be paid for the Cash Consideration, while preserving a healthy financial position. Nonetheless, we are also mindful that the payment obligations need to be appropriately fulfilled by the Group over the agreed period as per the above. Based on the above, we are of the view that this term is reasonable.

<table>
<tr><th>Salient terms of the SPA</th><th>Our comments</th></tr>
<tr><td>1.3 Profit Guarantee

1.3.1 Guaranteed Profit

The Vendors warrant and undertake that the Acquiree Companies shall collectively achieve a minimum cumulative aggregate PAT of RM16,000,000.00 only for the FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026, as the case may be (“Guarantee Period”).

For the purposes of this clause, the PAT of the Acquiree Companies for FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026 (as the case may be) shall be based on the audited PAT of the Acquiree Companies to be determined in accordance with the applicable accounting standards as set out in the audited accounts of the Acquiree Companies for the Guarantee Period, as audited by the Acquiree Companies’ auditors. The said auditor shall be acting as experts and not arbitrators and their determination of the PAT for FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026 (as the case may be) shall (save for manifest error) be final and binding on the parties.</td><td>The Profit Guarantee serves as an additional comfort provided by the Vendors to the Company in relation to the financial performance of the Acquiree Companies. The Profit Guarantee is a minimum cumulative aggregate PAT of RM16.00 million only for two (2) years being the FYE 2025 and 2026 of the Acquiree Companies.

Notwithstanding, the Vendors are jointly and severally liable for any Profit Shortfall. In the event the Vendors fail to settle the Profit Shortfall within the stipulated timeline, LCB may take necessary legal action against the Vendors pursuant to the SPA.

Premised on the above, we are of the view that this term is fair and reasonable.</td></tr>
<tr><td>1.3.2 If the aggregate PAT of the Acquiree Companies for the Guarantee Period shall be less than the Profit Guarantee (any amount of such shortfall in the said Profit Guarantee shall hereinafter be referred to as the “Profit Shortfall”), then and in such an event, the Vendors shall make good the Profit Shortfall (based on the proportion of the Purchase Consideration to be paid to the Vendors for the respective Acquiree Company in accordance with the SPA) by paying to the Acquiree Companies the Profit Shortfall in cash within 90 days from the date of the audited accounts of the respective Acquiree Company for the FYE 30 April 2026/30 June 2026 (whichever is later).

1.3.3 In the event the Acquiree Companies incur a net loss to be determined in accordance with the applicable accounting standards as shown in the audited accounts of the Acquiree Companies for the Guarantee Period, the Vendors shall pay to the Acquiree Companies (based on the proportion of the Purchase Consideration to be paid to the Vendors for the respective Acquiree Company in accordance with the SPA) the maximum amount equivalent to the Profit Guarantee in cash within 90 days from the date of the audited accounts of the respective Acquiree Company for the FYE 30 April 2026/30 June 2026 (whichever is later).</td><td>This term is acceptable as it:

(i) allows the Vendors to pay the Profit Shortfall in cash; and

(ii) if the Acquiree Companies incur a net loss to be determined in accordance with the applicable accounting standards as shown in the audited accounts of the Acquiree Companies for the Guarantee Period, it allows the Vendor to pay to the respective Acquiree Companies the maximum amount equivalent to the Profit Guarantee in cash, within 90 days from the date of the audited accounts of the respective Acquiree Company (whichever is later).</td></tr>
</table>

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Salient terms of the SPA	Our comments
	(iii) the Vendors' obligation is capped at the amount of the Profit Guarantee. If the actual net loss exceeds this amount, the excess loss remains with the Acquiree Companies. This means that, in a downside scenario where the loss is significantly higher, the protection for the buyer is limited. This term is a common profit guarantee mechanism.
2.0 CONDITIONS PRECEDENT	
2.1 The parties agree that the Proposed Acquisitions is conditional upon the effective fulfilment of the conditions precedent in the SPA as follows:-	
(i) the Company having obtained the approval of the non-interested shareholders of the Company at an EGM for the Proposals;	This term is acceptable as it ensures that the non-interested shareholders of LCB are given the opportunity to assess the fairness and reasonableness before voting on the Proposals to be tabled at the forthcoming EGM.
(ii) the approval of the Board at the Board's meetings, for the Proposals;	This term is acceptable as this would normally require the approval of the Board (save for the Interested Directors) for the Proposals.
(iii) where applicable, the approval of the directors of the Vendors at the board of directors' meetings and the shareholders of the Vendors for the sale of the Sale Shares at a general meeting, in accordance with the terms of the SPA;	This term is acceptable as this would normally require the approval of the directors of the Vendors for the sale of the Sale Shares.
(iv) the Company having obtained the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;	These terms are acceptable as the approvals are pre-requisites for the Proposals to take place which are in accordance with the guidelines issued by the relevant authorities.
(v) the Company having obtained the approval of the SC for the Proposed Exemption;	
(vi) no material adverse findings on the Acquiree Companies based on the results of the financial and/or legal due diligence inquiry conducted on the Acquiree Companies and/or all due diligence findings having been rectified to the satisfaction of the Company; and	This term is acceptable as it is the responsibility of the Company to undertake the necessary due diligence on the Acquiree Companies to safeguard its interest prior to completing the Proposals.

Salient terms of the SPA	Our comments
(vii) such other consents or approvals as may be necessary for the Proposals, from any governmental or regulatory body or competent authority, or third party, as mutually agreed upon by the parties, having been waived or obtained.	This term is acceptable as all necessary consents or approval required has been granted, waived or obtained prior to completion.
2.2 The parties undertake to procure the fulfilment of the conditions precedent that are applicable to them within 6 months form the date of the SPA or such other date(s) the parties may mutually agree in writing (“**Conditional Period**”). 2.3 If any approval contains terms and conditions which are not acceptable to any party, the relevant party may within 14 days from the date of receipt of that approval:- (i) notify the other party in writing that the approval is not acceptable in which case the said condition precedent shall be deemed not fulfilled and section 2.6 below shall apply mutatis mutandis; or (ii) apply to the relevant authority to vary the terms and conditions of that approval, if avenues for such application exist, in which case section 2.5 below shall apply mutatis mutandis. 2.4 If no notice is given under section 2.3 above, an approval will be deemed to have been obtained. 2.5 If any party applies for variation of an approval under section 2.3(ii) above, that approval will not be deemed to be obtained for the purpose of this section 2 until the relevant authority accedes to the request for variation. In the event the relevant authority does not accede to the request for variation, the respective condition shall be deemed not to be met and/or fulfilled.	These terms are justifiable as it is fair for the parties to impose a sufficient time to satisfy all the conditions precedent.
2.6 Non-Fulfilment of the Conditions Precedent Subject to the terms as set out in the SPA, unless specifically waived by the parties, if any of the conditions precedent are not fulfilled before the Conditional Period or such extended time as the parties agree in writing (or in the event of section 2.5 above), the SPA shall cease and determine and neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any representation, undertaking and/or any of the terms of the SPA.	These terms are acceptable as they serve to safeguard the interest of the Vendor and Company. In the event the conditions precedent is not fulfilled and/or waived, none of the either party will incur any compensation or otherwise.
2.7 When Agreement becomes Unconditional The SPA shall become unconditional when all the conditions precedent shall have been duly fulfilled (other than the conditions precedent which have been waived by written agreement of the parties) (“**Unconditional Date”).**	In the event the conditions precedent is fulfilled and/or waived, the Proposals would be completed.

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Salient terms of the SPA	Our comments
3.0 COMPLETION	
3.1 Subject always to the compliance in all respects with all applicable covenants and undertakings given by the Vendors, Completion shall take place on the Completion Date at 11:00 am (Malaysian time) or at such other time as the parties may mutually agree on the Completion Date. 3.2 The Vendors may at any time waive (by written notice to the Company) any obligation of the Company to observe and perform any of the relevant provisions in the SPA and the Company may at any time waive (by written notice to the Vendors) any obligation of the Vendors to observe and perform any of the relevant provisions in the SPA, provided always that any such waiver must not be prohibited by the relevant laws applicable to the parties, the Acquiree Companies and/or the Proposed Acquisitions as contemplated under the SPA.	These terms are reasonable as they provide the timeframe in order to complete the Proposals which are mutually agreed by the Company and the Acquiree Companies and are typical for transactions of such nature.
4.0 PARTIES RIGHT TO TERMINATE	
4.1 Any of the parties ("**Terminating Party**") may by written notice given to the other party any time prior to Completion terminate the SPA if any fact, matter or event (whether existing or occurring on or before the date of the SPA or arising or occurring afterwards) comes to the notice of the Terminating Party at any time prior to Completion which:- (i) constitutes a breach by the other party of any of the provisions under the SPA; (ii) constitutes a breach of any of the representations and warranties given by the other party; (iii) where the Terminating Party is the Company, affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of the Acquiree Companies; (iv) a petition for winding up or bankruptcy is presented against the other party; (v) where the Terminating Party is the Company, an order is made or a member's resolution is passed for the winding up of the Acquiree Companies; (vi) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the other party or any part of the other party's assets and properties; or (vii) an event analogous to any of the subclauses (iv), (v) or (vi) above has occurred in any jurisdiction,	These terms are acceptable as these are typical terms governing the possible termination of the SPA and it serves to safeguard and protect the interest of the Vendor and the Company in the event of any breach by any of the parties.

Salient terms of the SPA		Our comments
	the Terminating Party will only give such written notice of termination to the other party where the other party's breach is capable of being remedied, is not remedied within 14 days from the date the Terminating Party gives written notice to the other party of any such breaches above.	
4.2	All rights and obligations of the parties shall cease to have effect immediately upon termination of the SPA save for the clauses which are stated to continue in force following termination of the SPA (for whatever reason) and further save that termination of the SPA (for whatever reason) shall be without prejudice to the respective rights and liabilities of each of the parties accrued prior to such termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the parties.	
5.0	**GOVERNING LAW AND JURISDICTION**	
5.1	The SPA is governed by and is to be construed in accordance with the laws of Malaysia.	The term is reasonable as both the Company and the Acquiree Companies are incorporated in Malaysia.
5.2	Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Malaysia and waives any right to object to proceedings being brought in those courts.	

Premised on the above, we are of the view that the salient terms of the SPA are reasonable and not detrimental to the non-interested shareholders of LCB.

6.5 Effects of the Proposals

We noted that the Proposed Exemption, on a standalone basis, will not have any effect on the Company's issued share capital, substantial shareholders' shareholdings, consolidated NA per LCB Share as well as gearing and consolidated EPS. However, the Proposed Acquisitions which are inter-conditional with the Proposed Exemption would have an effect on the issued share capital, substantial shareholders' shareholdings, consolidated NA per LCB Share as well as gearing and consolidated EPS.

We take cognisance of the effects of the Proposals as set out in Section 7 of Part A of the Circular and set out below are our comments thereon.

6.5.1 Issued Share Capital

The pro forma effects of the Proposed Acquisitions on the issued share capital of LCB as set out in Section 7.1 of Part A of the Circular are as follows:

	No. of Shares	RM
As at the LPD	144,294,425	69,908,568
To be issued pursuant to the Proposed Acquisitions	156,600,000	64,989,000[(1)]
Enlarged issue share capital after the Proposed Acquisitions	**300,894,425**	**134,897,568**

Note:

(1) Computed based on the Issue Price per Consideration Share.

The Proposed Acquisitions will result in an increase in the issued share capital of LCB from RM69.91 million consisting of 144.29 million LCB Shares as at the LPD to RM134.90 million consisting of 300.89 million LCB Shares.

6.5.2 Earnings and EPS

The details of the pro forma effects of the Proposed Acquisitions on the earnings and EPS of LCB based on the audited financial statement of LCB for FYE 30 June 2025 are set out in Section 7.2 of Part A of the Circular.

Barring any unforeseen circumstances and on the assumption that the Proposed Acquisitions will be completed by the second quarter of 2026, the Proposed Acquisitions are not expected to have any material effect on the consolidated earnings and EPS of the Company for the FYE 30 June 2026.

The Proposed Acquisitions are expected to contribute positively to the future earnings of the LCB Group. However, the EPS of LCB is expected to be diluted upon completion of the Proposed Acquisitions as a result of the increase in the number of LCB Shares arising from the issuance of the Consideration Shares.

6.5.3 NA and gearing

The pro forma effects of the Proposed Acquisitions on the consolidated NA per Share and gearing of LCB as set out in Section 7.3 of Part A of the Circular are as follows:

	Audited as 30 June 2025 (RM'000)	**After the Proposed Acquisitions** (RM'000)
Share capital	69,909	134,898
Retained earnings	51,967	50,767
Shareholders' equity	121,876	185,665
Non-controlling interest	43,678	43,678
Total equity / NA	**165,554**	**229,343**
No. of Shares ('000)	144,294	300,894
NA per Share (RM)	1.15	0.76
Borrowings (RM'000)	1,703	3,429
Gearing (times)	0.01	0.01

Note:

(1) *After deducting the estimated expenses incidental to the Proposed Acquisitions of approximately RM1.20 million.*

Premised on the above, we noted that:

(i) LCB's pro forma NA as at 30 June 2025 will increase from RM165.55 million to RM229.34 million upon issuance of 156.60 million Consideration Shares pursuant to the Proposed Acquisitions. Correspondingly, LCB's pro forma NA per LCB Share will decrease from RM1.15 to RM0.76 pursuant to the Proposed Acquisitions; and

(ii) LCB's pro forma gearing ratio as at 30 June 2025 will remain at 0.01 times upon the completion of the Proposed Acquisitions, as the Purchase Consideration will be partly satisfied by the issuance of Consideration Shares.

6.5.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisitions on the substantial shareholders' shareholdings as set out in Section 7.4 of Part A of the Circular are as follows:

	As at the LPD				After the Proposed Acquisitions			
Substantial shareholders	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
DWSK	38,407,898	26.62	-	-	65,969,498	21.92	106,488,000[1]	35.39
Yau Ming Teck	11,324,206	7.85	-	-	11,324,206	3.76	-	-
LESB	-	-	-	-	106,488,000	35.39	-	-
CJH	-	-	-	-	17,539,200	5.83	-	-
Total	**49,732,104**	**34.47**			**201,320,904**	**66.90**		

Note:

(1) *Deemed interested by virtue of his shareholdings in LESB pursuant to Section 8 of the Act.*

We noted that upon issuance of the Consideration Shares, LESB and CJH will emerge as substantial shareholders of LCB. In addition, the collective shareholdings of the non-interested shareholders of LCB will be diluted from 61.30% to 29.40% upon completion of the Proposed Acquisitions as a result of the increase in the issued LCB Shares.

6.5.5 Convertible securities

We noted that as at the LPD, LCB does not have any convertible securities in issue.

6.6 Risk factors

The risk factors associated with the Proposals are highlighted in Section 5 of Part A of the Circular.

We noted that there is no assurance that the Proposals can be completed within the time period permitted under the SPA. In the event that the conditions precedent are not fulfilled or approvals required under the SPA are not obtained within the stipulated time period, the parties may either mutually extend the stipulated period or terminate the SPA. We also noted that the Board (save for the Interested Directors) shall endeavour to ensure that there is no delay in fulfilling all the conditions precedent by the parties concerned and should there be any delay beyond the agreed time period, the Board (safe for the Interested Directors) shall negotiate with the relevant parties to the SPA to mutually extend the relevant period prior to its expiry.

In addition, we noted that upon completion of the Proposed Acquisitions, the Group will be further exposed to general business risk and risks inherent in the Recycling Business as follows:

(i) Non-renewal, revocation or suspension of licence to conduct recycling activities

Companies that are involved in the recovery of waste through recycling must be licensed by the Royal Malaysia Police for dealing in second-hand goods under the Second-Hand Dealers Act 1946. If such licence is not renewed or is revoked or suspended by the relevant authority, the Recycling Business will be disrupted. In mitigating such risks, the Group will comply by periodically reviewing its compliances with the relevant regulatory requirements relating to the Recycling Business.

(ii) Dependency on suppliers

The recyclable materials are generally sourced from waste suppliers which procured their supplies from the residential and commercial sectors. Failure to procure timely supplies on acceptable terms from such waste suppliers may affect the Recycling Business of the Group, which may materially and adversely affect the Group's financial condition and business operations. Nevertheless, the Group will seek to limit such risk by securing contracts with various waste suppliers, establish and maintain cordial business relationships with them through leveraging on the expertise and business network of DWSK, LESB Group as well as the Acquiree Companies in the recycling industry and to ensure consistent supply of the relevant recyclable materials for the Recycling Business.

(iii) Fluctuations in commodity prices

The final products that are commonly traded in the Recycling Business are wastepaper, plastic scrap and scrap ferrous metal, which are subject to global commodity price fluctuations and the risk of any unfavourable price changes will directly affect the profitability of the Recycling Business if LCB is unable to pass through such incremental costs to its customers.

Nevertheless, we noted that leveraging on the experiences of the Group and the Acquiree Companies in the Recycling Business, the enlarged LCB Group is expected to prevail over any adversities and sustain its business operations. Furthermore, the Group has been involved in the Recycling Business since 2021. Thus, the Group is fully aware of the inherent risk of the business and will continue to mitigate these risks through the review of its operations periodically and through prudent financial management to improve efficiency.

Non-interested shareholders of LCB are advised to carefully consider the risk factors as set out above and in Section 5 of Part A of the Circular prior to voting on the resolution pertaining to the Proposals. It is important to note that there can be no assurances that any risk factors set out above and in Section 5 of Part A of the circular will not adversely affect the financial results of LCB.

6.7 Economic Outlook, Industry Overview and Prospects of the Group

We noted the overview and outlook of the Malaysian economy, retail sector, and the recycling industry and future prospects of the enlarged Group as set out in Section 6 of Part A of the Circular.

6.7.1 Overview and outlook of the Malaysian Economy

In 2025, the economy is expected to grow between 4% and 4.8%, underpinned by firm domestic demand. From the demand perspective, private consumption is anticipated to remain resilient, supported by higher disposable income, favourable labour market conditions, targeted assistance programmes and vibrant tourism activities. Investment momentum will be sustained by the realisation of multi-year projects and strong inflows into high-growth segments such as semiconductors and data centres. From a supply perspective, the services and manufacturing sectors will continue to lead growth. The services sector will be driven by robust tourism activities, dynamic retail trade and increased demand for business-related services. Meanwhile, the manufacturing sector will benefit from growing semiconductor demand due to the expansion of the digital economy and the increasing use of artificial intelligence (AI) edge applications as well as strong performance in domestic-oriented industries.

In 2026, Malaysia's economy is projected to expand between 4% and 4.5%, supported by resilient domestic demand and a steady external sector. Growth will be anchored by private consumption, boosted by the implementation of the salary adjustment under Phase 2 of the Public Service Remuneration System (SSPA), continuation of targeted assistance programmes and robust tourism activities in conjunction with Visit Malaysia 2026 (VM2026). In addition, strong investment performance will be supported by higher capital expenditures, particularly in high-impact strategic sectors. The services and manufacturing will remain key drivers of growth, complemented by sustained construction and agriculture sectors.

(Source: Economic Outlook 2026, Ministry of Finance Malaysia)

6.7.2 Overview and outlook of the retail sector in Malaysia

Industry experts remain cautious about the outlook for Malaysia's retail industry in the second half of 2025, citing both global and domestic pressures.

According to Phang Sau Lian, president of the Malaysia Shopping Malls Association, the rising cost of doing business continues to weigh heavily on the sector, especially with the upcoming expansion of SST to cover rental, leasing, construction, beauty services and some food items, which could erode margins and drive up consumer prices. She added that higher electricity tariffs, increased minimum wages and subsidy removals are forcing many retailers and mall operators to scale back on marketing and expansion plans.

Competition is also intensifying as unregulated online platforms offer extremely low prices without the same tax or compliance obligations, placing traditional retailers at a disadvantage.

Despite these challenges, there are bright spots within the sector, with Asia based intellectual property toys and homegrown F&B brands showing strong growth and expected to continue supporting retail performance. Tourism has also provided some support, with a 21 percent year on year increase in visitor arrivals in the first four months of 2025 that has benefited malls in prime tourist locations, although the impact remains location specific and overall retail growth continues to rely mainly on domestic demand.

(Source: Cautious outlook for retail sector in 2H25, The Star, dated 23 June 2025)

6.7.3 Overview and outlook of the recycling industry in Malaysia

Malaysia produces about 39,000 tonnes of solid waste every day, and the waste sector is the second largest contributor to national greenhouse gas emissions. For decades, the country relied on a take, make, manage and dispose model, but landfills are now filling up and pollution is increasing.

By shifting to a circular economy, Malaysia can treat waste as a valuable resource by reusing, recycling, upcycling and repurposing materials to reduce environmental harm, conserve resources and create economic value. The government's new Circular Economy Blueprint for Solid Waste sets out nine principles that embed sustainability across consumption, production and waste management. Malaysia's challenges include heavy reliance on landfills, a recycling rate that remains below target and weak waste segregation at source.

By adopting circular economy principles, the country can reduce landfill use, cut methane emissions, recover resource value, reduce raw material imports and strengthen innovation in recycling and green manufacturing. These efforts can also generate green jobs, support local industries and improve Malaysia's competitiveness in sustainability driven supply chains.

The policy framework supporting this shift includes the National Solid Waste Management Policy, the National Cleanliness Policy, the Plastics Sustainability Roadmap and the Circular Economy Blueprint. To encourage investment, the government offers incentives such as the Green Investment Tax Allowance, under which qualifying waste management and recycling projects receive tax benefits.

As at June 2025, the integrated waste management and recycling sector has attracted RM22.7 billion in investments. Going forward, Malaysia aims to strengthen waste separation at source, expand producer responsibility schemes, invest in advanced recycling technologies, increase community participation and position the country as a circular economy hub in the region.

(Source: MIDA's website, https://www.mida.gov.my/turning waste into wealth: Malaysia's Circular Economy in action)

As Malaysia moves towards a more sustainable future, embracing the principles of a circular economy is becoming a central focus of its growth strategy. Guided by the Twelfth Malaysia Plan (RMKe-12) and aligned with the global Sustainable Development Goals (SDGs), the circular economy emphasises the reuse, recycling, and repurposing of resources.

This approach is vital in reducing the consumption of natural resources and minimising waste throughout the production and consumption cycles. With an ambitious goal of achieving net-zero carbon emissions intensity by 2050, Malaysia is committed to mainstreaming sustainable consumption and production practices, ensuring long-term sustainability for future generations.

The Circular Economy Blueprint for Solid Waste in Malaysia (2025-2035) is designed to catalyse the adoption of circular economy practices. Its success hinges on the active participation and collaboration of all stakeholders to drive initiatives that enhance climate action and reduce environmental impact. The outcomes of these initiatives will contribute to Malaysia's Biennial Transparency Reports (BTR), a key requirement under the Paris Agreement, coordinated by the Natural Resources and Environmental Sustainability Ministry (NRES).

Towards a circular economy, the Housing and Local Government Ministry (KPKT) has embraced circular economy principles in solid waste management through the Dasar Kebersihan Negara (DKN) 2020–2030. This policy envisions a clean, sustainable, and prosperous nation by fostering cleanliness at all societal levels to protect the environment.

Key to this vision is the transition from a linear to a circular economy, emphasising reducing, reusing, and recycling to minimise waste and maximise resource utilisation. A notable strategy is implementing Extended Producer Responsibility (EPR) to strengthen the solid waste management ecosystem.

Challenges such as economic incentives, regulations, and consumer preferences for traditional linear models hinder the widespread adoption of circular economy practices. To address this, the government will introduce initiatives to support recycling and waste management facilities and collaborate with financial institutions to provide incentives for circular economy investments. This blueprint serves as a foundation for developing new financial instruments to encourage industry-wide adoption of circular business models.

Currently, the government offers various funding mechanisms, such as the Green Technology Financing Scheme (GTFS) managed by the Malaysian Green Technology And Climate Change Corporation, and tax incentives like Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) through the Finance Ministry.

(Source: Driving Malaysia's shift to a circular economy, The Star, dated 6 December 2024)

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6.7.4 Prospects of the Group

As disclosed in Section 6.1.1 of this IAL, we noted that the Group's operations comprise three (3) segments namely Retailing, Waste Recycling and Investment Holdings segments. The historical performance of the Group for the FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025 are as follows:

Business segment	Audited FYE 30 June 2023				Audited FYE 30 June 2024				Audited FYE 30 June 2025			
	Revenue		PBT		Revenue		PBT/(LBT)		Revenue		PBT/(LBT)	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Retailing	148,336	93.18	17,967	99.34	140,752	75.09	11,588	60.08	135,118	65.03	5,469	56.90
Waste Recycling	10,770	6.77	791	4.37	46,688	24.91	9,924	51.45	72,682	34.97	5,554	57.70
Investment Holdings	81	0.05	(672)	(3.71)	-	-	(2,224)	(11.53)	-	-	(1,404)	(14.60)
Total	**159,187**	**100.00**	**18,086**	**100.00**	**187,440**	**100.00**	**19,288**	**100.00**	**207,870**	**100.00**	**9,619**	**100.00**

The Group's financial performance for the Waste Recycling segment had significantly improved during the FYE 30 June 2024 following the Acquisitions and continued to grow in the FYE 30 June 2025. The revenue increased from RM10.77 million in the FYE 30 June 2023 to RM46.69 million in the FYE 30 June 2024 and further to RM72.68 million in the FYE June 2025. Meanwhile, PBT increased from RM0.79 million in the FYE 30 June 2023 to RM9.92 million in the FYE 30 June 2024, before declining to RM5.55 million in the FYE 30 June 2025, driven largely by lower-margin wholesaling activities, alongside weaker sales in high-margin cleaning services.

The financial performance for the Retailing segment declined during the FYE 30 June 2024 following the Disposals and continued to weaken in the FYE 30 June 2025. Revenue decreased from RM148.34 million in the FYE 30 June 2023 to RM140.75 million in the FYE 30 June 2024, and further declined to RM135.12 million in the FYE 30 June 2025. PBT has also shown a continued downward trend, falling from RM17.97 million in the FYE 30 June 2023 to RM11.59 million in the FYE 30 June 2024 and to RM5.47 million in FYE 30 June 2025, mainly attributed to inflationary pressures, which dampened consumer spending and compressed profit margins.

We noted based on the prospects of the waste recycling industry as per Section 6.3 of Part A of the Circular and Section 6.7.3 of this IAL, that the enlarged Group stand to benefit from the emphasis on the circular economy and initiative such as the Circular Economy Blueprint for Solid Waste, Plastics Neutrality Masterplan and National Circular Economy Council driven by the Local Government Development Ministry.

The Proposed Acquisitions, are aligned with the Company's strategy to further expand its business in waste recycling sector and are expected to strengthen LCB's market position, enhance its operational capabilities, and further improve its financial performance.

Earthwise, is principally engaged in the sales and purchases of recycling materials, such as wastepaper, plastic scrap, and scrap ferrous metal. In June 2024, it expanded its business by venturing into the sale and purchase of wood chips. Whilst Expert is principally engaged in the remediation activities (manufacturing of recycled materials) and other waste management services. As at the LPD, the company is exploring opportunities in installing and commissioning of processing line for the remediation of recycling materials for potential customers.

The Acquiree Companies represent an opportunity for the enlarged Group to diversify its revenue streams. Further, through the Proposed Acquisitions, the Group will be able to further integrate its existing Recycling Business with the operations of the Acquiree Companies, thereby enabling greater efficiency from economies of scale, including shared expertise and resources.

As part of its strategies to grow the Recycling Business, the Group will continue to expand its customer base. Presently, the Group mainly supports medium-sized companies, paper mills and plastic manufacturers, located in the Klang Valley and Negeri Sembilan while the operations of the Acquiree Companies are located in the Klang Valley, Selangor and Johor Bahru.

6.8 Implications of the Proposed Exemption

Shareholders of LCB should note that the SC may consider granting the Proposed Exemption if DWSK, LESB and their PACs have satisfied, amongst others, the following conditions pursuant to paragraph 4.08(2) of the Rules:

(i) there has been no acquisition of shares or instruments convertible into shares and options in respect of shares (other than subscriptions for new shares or new instruments convertible into or options in respect of new share which have been disclosed in the whitewash circular) by DWSK, LESB and their PACs, in the six months prior to the announcement of the Proposals on 19 December 2024 but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Acquisitions until completion of the Proposed Acquisitions; and

(ii) approval has been obtained from independent holders of voting shares or voting rights of LCB at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the Mandatory Offer from DWSK, LESB and their PACs.

Any exemption granted will be invalidated if DWSK, LESB and their PACs have engaged or engages in a disqualifying transaction. Further, pursuant to Paragraph 18.02 of the Rules, upon obtaining shareholders' approval for the Proposals, DWSK, LESB and their PACs shall not acquire any LCB Shares within a period of 6 months after the EGM for the Proposals from a person who was a director or substantial shareholder of LCB at the time of the Proposed Exemption, as such acquisition will be deemed to be a favourable deal under Rule 18 of the Rules. The SC may consider granting a waiver to DWSK, LESB and their PACs if such acquisition, if any, is *de minimis*. The implications of the voting outcome of the non-interested shareholders of LCB on the Proposed Exemption to be tabled at the forthcoming EGM are set out in the ensuing sections.

6.8.1 If the non-interested shareholders of LCB VOTE IN FAVOUR of the Proposed Exemption

(i) DWSK, LESB and their PACs would be able to submit an application for the Proposed Exemption to the SC for its consideration. An approval from the SC for the Proposed Exemption would then exempt DWSK, LESB and their PACs from the obligation to undertake the Mandatory Offer to acquire all the remaining LCB Shares not already held by them upon completion of the Proposed Acquisitions.

(ii) The approval of the non-interested shareholders of LCB will imply that they have agreed to waive their right to a Mandatory Offer from DWSK, LESB and their PACs, which would otherwise be undertaken at a price no lower than the highest price paid or agreed to be paid by DWSK, LESB and their PACs for LCB Shares during the offer period and within six months prior to the beginning of the offer period and exempts DWSK, LESB and their PACs from the obligation to undertake the Mandatory Offer arising from the increase in their collective shareholdings in LCB pursuant to the issuance of Consideration Shares upon completion of the Proposed Acquisitions.

(iii) It is pertinent to note that the Proposed Exemption will allow the collective shareholdings of DWSK, LESB and their PACs in LCB to increase from 38.70% to 70.60% upon completion of the Proposed Acquisitions without being required to undertake the Mandatory Offer. On the other hand, the shareholdings held collectively by the non-interested shareholders in LCB will be diluted from 61.30% to 29.40%.

(iv) With collective shareholdings of more than 70.00% in LCB upon completion of the Proposed Acquisitions, any further increase in the collective shareholdings of DWSK, LESB and their PACs in LCB would not trigger an obligation for DWSK, LESB and their PACs to undertake a Mandatory Offer provided that the collective shareholdings of DWSK, LESB and their PACs in LCB remains at more than 50.00% at all times. For the avoidance of doubt, subsequent to the Proposed Acquisitions, DWSK, LESB and their PACs would still be bound to undertake a Mandatory Offer if either one of them increase their individual shareholdings in LCB to 33.00% or more, unless an exemption is granted by the SC.

(v) Further, with the shareholdings of 70.60% in LCB on a collective basis, DWSK, LESB and their PACs will have statutory control over LCB (holding more than 50.00% of the voting shares or voting rights in a company) and unless they are required to abstain from voting on resolutions sought at shareholders' general meeting, they will be able to determine the outcome of any ordinary resolution (which requires approval from simple majority of 50.00% of the total voting shares) and are likely to influence the outcome of any special resolution (which requires approval from at least 75.00% of the total voting shares).

(vi) As the Proposed Acquisitions and Proposed Exemption are inter-conditional upon each other, the approval of the Proposed Exemption will allow LCB to undertake the Proposed Acquisitions (assuming that the Proposed Acquisitions are also approved by the non-interested shareholders of LCB). Therefore, voting in favour of the Proposed Exemption will allow LCB to undertake the Proposals and enable LCB to realise the potential benefits arising from the Proposed Acquisitions.

6.8.2 If the non-interested shareholders of LCB VOTE AGAINST the Proposed Exemption

(i) DWSK, LESB and their PACs would not be able to submit an application for the Proposed Exemption to the SC for its consideration.

(ii) In view that the Proposed Acquisitions and Proposed Exemption are inter-conditional upon each other, in the event that the Proposed Exemption is not approved, LCB will not be able to undertake the Proposed Acquisitions. Consequently, the potential benefits arising from the Proposed Acquisitions will not materialise. As at the LPD, LCB does not have any other plan in the event that the Proposals are not approved.

7.0 DIRECTORS' INTENTION TO VOTE

As at the LPD, save as disclosed below, none of the Directors have any interest (direct and indirect) in LCB. Accordingly, their intention to vote in relation to the Proposed Exemption are as follows:

Name	Direct		Indirect		Intention to vote in relation to the Proposed Exemption
	No. of LCB Shares	%[(1)]	No. of LCB Shares	%[(1)]	
DWSK	38,407,898	26.62	-	-	Abstain[(2)]

Notes:

[(1)] *Based on the issued share capital of 144,294,425 LCB Shares as at the LPD.*

[(2)] *In view that DWSK is an Interested Director (as set out in Section, 11 of Part A of the Circular), DWSK shall abstain and will continue to abstain from all deliberations and voting on the resolutions pertaining to the Proposals at the relevant board meetings. In addition, DWSK will also abstain from voting and have undertaken to ensure that persons connected with him will abstain from voting in respect of their respective direct and/or indirect shareholdings in LCB on the resolutions pertaining to the Proposals to be tabled at the EGM to be convened.*

8.0 FUTURE PLANS OF THE GROUP AND ITS EMPLOYEES

In accordance with Paragraph 8 of Schedule 2: Part II of the Rules, the DWSK, LESB and their PACs have confirmed that as at the LPD, they do not intend to effect any major change to the following:

(i) the continuation of the business of the Group;

(ii) the business of the Group, including any plans to liquidate any of the companies within the Group, sell any material assets or re-deploy the fixed assets of the Group or make any other major change in the business of the Group; and

(iii) the continued employment of the employees of the Group,

except where such changes are in the ordinary course of the Group's business or are necessary to rationalise or improve the Group's operations and/or financial performance and is in the best interest of the Group.

The DWSK, LESB and their PACs shall retain the flexibility at any time to consider any options which are in the best interest of the Group. DWSK, LESB and their PACs intend to maintain the listing status of LCB on the Main Market.

DWSK, LESB and their PACs' commercial justification for the Proposed Exemption is to facilitate the Proposed Acquisitions. As at the LPD, there is no agreement, arrangement or understanding exists between DWSK, LESB and their PACs and any of the Directors or recent Directors of LCB, holders of voting shares or voting rights or recent holders of voting shares or voting rights of LCB having any connection with or dependence upon the Proposals.

Premised on the above, the Proposals are not detrimental to the business of the Group and to the interest of the non-interested shareholders of LCB.

9.0 DIRECTORS' RESPONSIBILITY STATEMENT

This IAL has been seen and approved by the Board, who collectively and individually accept full responsibility for the accuracy of the information given in this IAL and confirm that, after making all reasonable enquiries and to the best knowledge of the Board, opinions expressed in Part A of the Circular have been arrived at after due and careful consideration, all information relevant to the evaluation of the Proposals have been disclosed and that there is no omission of any material facts which would make any statement in this IAL false or misleading.

Further, the responsibility of the Board in respect of:

(i) the information related to the DWSK, LESB and their PACs (as provided by the DWSK, LESB and their PACs) is limited to ensuring that such information is accurately reproduced in this IAL; and

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

10.0 FURTHER INFORMATION

The non-interested Directors and non-interested shareholders LCB are advised to refer to Part A of the Circular as well as the attached appendices for further information.

11.0 CONCLUSION AND RECOMMENDATION

The non-interested Directors and non-interested shareholders of LCB should carefully consider the merits and demerits of the Proposals based on all relevant pertinent factors, including those set out in this IAL as well as those highlighted by the Board in the letter to the shareholders of LCB in relation to the Proposals as set out in Part A of the Circular, before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals on a holistic basis in accordance with Paragraph 8 of Schedule 2: Part III of the Rules, taking into consideration the various factors set out in this IAL. The Proposed Exemption, if approved by the non-interested shareholders of LCB and granted by the SC, will allow LCB to undertake the Proposed Acquisitions, assuming that the Proposed Acquisitions is also approved by the non-interested shareholders of LCB.

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In summary, the potential advantages and disadvantages of the Proposals are as follows:

Potential advantages	
(i)	The Proposed Acquisitions will enable LCB to expand its footprint in the Recycling Business which is aligned with Group's long-term strategy.
(ii)	The Proposed Acquisitions are expected to contribute positively to the future earnings of the LCB Group.
(iii)	The Purchase Consideration of RM100.00 million is below the estimated range of indicative values of the Acquiree Companies of RM149.13 million to RM171.98 million based on the DCF method of valuation, being the primary method of valuation, representing a discount of 32.94% to 41.85%.
(iv)	The partial settlement of the Purchase Consideration through the issuance of Consideration Shares enables the Group to conserve cash, mitigating any material impact on its cash flows compared to a full cash settlement. Furthermore, the Group is not required to significantly increase its bank borrowings to finance the Purchase Consideration. The Group shall fund the Cash Consideration amounting to approximately RM35.01 million via a combination of the Group's internally generated funds and/or bank borrowings. Should the Group fund the Cash Consideration fully via cash, the Group as at 30 June 2025 has an unaudited cash and bank balances amounting to approximately RM21.25 million. Should the Group fund the Cash Consideration via bank borrowings, it will incur additional interest costs associated with bank borrowings.
Potential disadvantages	
(i)	The Proposed Exemption will allow the collective shareholdings of DWSK, LESB and their PACs in LCB to **increase from 38.70% to 70.60%** upon completion of the Proposed Acquisitions without being required to undertake the Mandatory Offer. On the other hand, the shareholdings held collectively by the non-interested shareholders in LCB will be diluted from 61.30% to 29.40%. **With collective shareholdings of more than 50.00% in LCB upon completion of the Proposed Acquisitions, any further increase in the collective shareholdings of DWSK, LESB and their PACs in LCB would not trigger an obligation for DWSK, LESB and their PACs to undertake a Mandatory Offer provided that the collective shareholdings of DWSK, LESB and their PACs in LCB remains at more than 50.00% at all times.** For the avoidance of doubt, subsequent to the Proposed Acquisitions, DWSK, LESB and their PACs would still be bound to undertake a Mandatory Offer if either one of them increase their individual shareholdings in LCB to 33.00% or more, unless an exemption is granted by the SC.
(ii)	Further, with the shareholdings of 70.60% in LCB on a collective basis, DWSK, LESB and their PACs will have statutory control over LCB (holding more than 50.00% of the voting shares or voting rights in the company) and unless they are required to abstain from voting on resolutions sought at shareholders' general meeting, they will be able to determine the outcome of any ordinary resolution (which requires approval from simple majority of 50.00% of the total voting shares) and are likely to influence the outcome of any special resolution (which requires approval from at least 75.00% of the total voting shares).
(iii)	The Issue Price represents a discount of 63.83% to the audited NA per Share of the Company of RM1.15 as at 30 June 2025. **The issue of LCB shares at a price lower than market price will result in a greater dilution to the non-interested shareholders' shareholding in LCB as more Consideration Shares will be issued to the Vendors as part of the Purchase Consideration.**

Premised on the factors discussed above and our evaluation of the Proposals based on the information available to use, we are of the view that the Proposals are **FAIR AND REASONABLE**.

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

NON-INTERESTED SHAREHOLDERS OF LCB ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION AND RECOMMENDATION CONTAINED IN THIS IAL TOGETHER WITH THE LETTER TO SHAREHOLDERS IN PART A OF THE CIRCULAR AND THE ACCOMPANYING ATTACHMENTS, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

Yours faithfully,
For and on behalf of
DWA Advisory Sdn Bhd

Sharil Hanri Yuen
Principal

Dato' Wan Asmadi Wan Ahmad
Managing Principal

INFORMATION ON LCB

1. HISTORY AND PRINCIPAL ACTIVITIES

LCB is a public limited company, incorporated and domiciled in Malaysia on 28 March 1995. It was listed on the Second Board of Kuala Lumpur Stock Exchange (now known as Main Market of Bursa Securities) on 8 May 1996. On 12 December 2024, the Company changed its name to its current name, LCB, having previously been known as MESB Berhad.

The Company is principally involved in the business of investment holding. The principal activities of its subsidiaries are set out in Section 5 of Attachment 1.

2. SHARE CAPITAL

2.1 Issued share capital

As at the LPD, the issued share capital of LCB as stated in the table below:

	No. of LCB Shares	Amount (RM)
Issued share capital	144,294,425	69,908,568

As at the LPD, there is only one class of ordinary shares in LCB. All LCB shares rank *pari passu* in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions which may be declared, made or paid to the shareholders.

2.2 Changes in the issued share capital

There are no changes in LCB's issued share capital since the end of the FYE 30 June 2025 up to the LPD.

2.3 Convertible securities

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

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of LCB are as follows:

Name	Nationality	Direct		Indirect	
		No. of LCB Shares	%[(1)]	No. of LCB Shares	%[(1)]
DWSK	Malaysian	38,407,898	26.62	-	-
Yau Ming Teck	Malaysian	11,324,206	7.85	-	-

Note:

(1) *Based on the issued share capital of 144,294,425 LCB Shares as at the LPD.*

INFORMATION ON LCB *(cont'd)*

4. DIRECTORS OF LCB

As at the LPD, the details of the Board and their respective shareholdings in LCB are as follows:

Name	Nationality	Designation	Address	Direct		Indirect	
				No. of LCB Shares	%[(1)]	No. of LCB Shares	%[(1)]
Chua Jin Kau	Malaysian	Executive Chairman	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-
Loke Lee Ping	Malaysian	Executive Director/ Chief Executive Officer	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-
Lee Kok Heng	Malaysian	Independent Non-Executive Director	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-
Dr. Norhanim Binti Mat Sari	Malaysian	Independent Non-Executive Director	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-
Low Koon Min	Malaysian	Independent Non-Executive Director	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-
Dato' Lee Ban Seng	Malaysian	Independent Non-Executive Director	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-

INFORMATION ON LCB *(cont'd)*

Name	Nationality	Designation	Address	Direct		Indirect	
				No. of LCB Shares	%[1]	No. of LCB Shares	%[1]
CJH	Chinese	Independent Non-Executive Director	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-
DWSK	Malaysian	Non-Independent Non-Executive Director	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	38,407,898	26.62	-	-
Wong Yu Perng	Malaysian	Non-Independent Non-Executive Director	c/o Lot 1903A, 1st Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan	-	-	-	-

Note:

(1) *Based on the issued share capital of 144,294,425 LCB Shares as at the LPD.*

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5. SUBSIDIARY COMPANIES

As at the LPD, the subsidiaries companies of LCB are as follows:

Name	Country of incorporation	Effective percentage of ownership (%)	Principal activities
<u>Subsidiaries of LCB:</u>			
Formidex Sdn. Bhd.	Malaysia	100.00	Principally engaged in provision of slitting services and trim waste sales.
MESB Resources Sdn. Bhd.	Malaysia	100.00	Principally engaged in the activities of wholesale of metal and non-metal waste and scrap and materials for recycling.
Miroza Leather (M) Sdn. Bhd.	Malaysia	55.00	Principally engaged in the business of trading and retailing of leather product and apparels.
N. U. Recycle Sdn. Bhd.	Malaysia	100.00	Principally engaged in the sale and purchase of recycling materials.
Waier Trading Sdn. Bhd.	Malaysia	100.00	Principally engaged in recycling materials.

As at the LPD, LCB does not have any associate companies.

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of the Group based on the audited consolidated financial statements for the FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025 are as follows:

	Audited		
	FYE 30 June 2023 (RM'000)	**FYE 30 June 2024 (RM'000)**	**FYE 30 June 2025 (RM'000)**
Revenue	159,187	187,440	207,870
Profit/(loss) before tax	18,086	19,288	9,619
PAT/(LAT)	12,193	14,156	6,433
Net PAT/(LAT) attributable to:			
- Owners of the Company	12,197	10,306	4,776
- Non-controlling interests	(4)	3,850	1,657
No. of LCB Shares in issue (units '000)	144,294	144,294	144,294
Net EPS/ (loss per Share) (sen)(1)	8.45	9.81	4.46
Net dividend per Share (sen)	-	-	-

(Sources: Annual reports of LCB for the FYE 30 June 2023, FYE 30 June 2024, and FYE 30 June 2025)

Note:

(1) Based on the net PAT/(LAT) attributable to owners of the Company over the number of LCB Shares in issue for the respective FYEs.

There were no material exceptional items in the audited consolidated financial statements of the Group for the FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025.

7. STATEMENT OF ASSETS AND LIABILITIES

The statements of assets and liabilities of the Group based on the audited consolidated financial statements as at 30 June 2023, 30 June 2024, and 30 June 2025 are as follows:

	Audited		
	As at 30 June 2023 (RM'000)	**As at 30 June 2024 (RM'000)**	**As at 30 June 2025 (RM'000)**
ASSETS			
Non-current assets			
Plant and equipment	4,370	5,104	4,894
Investment properties	414	401	388
Intangible assets	2,386	846	657
Right-of-use assets	1,008	1,926	2,971
Net investment in a lease	31	-	-
Goodwill	40,062	40,062	40,062
Deferred tax assets	560	799	978
Total non-current assets	**48,831**	**49,138**	**49,950**
Current assets			
Inventories	40,119	44,739	41,259
Trade receivables	21,289	21,188	33,470
Other receivables, deposits and prepayments	3,364	1,987	2,433
Net investment in a lease	90	31	-
Current tax assets	2,299	1,290	3,160
Short-term investments	340	336	384
Fixed deposits with licensed banks	41,824	42,136	43,639
Cash and bank balances	14,324	19,119	21,249
Total current assets	**123,649**	**130,826**	**145,594**
Non-current assets classified as held for sale	1,774	-	-
TOTAL ASSETS	**174,254**	**179,964**	**195,544**

INFORMATION ON LCB *(cont'd)*

	Audited		
	As at 30 June 2023 (RM'000)	**As at 30 June 2024 (RM'000)**	**As at 30 June 2025 (RM'000)**
EQUITY AND LIABILITIES			
Share capital	69,909	69,909	69,909
Retained profits	36,885	47,191	51,967
Equity attributable to the owners of the Company	106,794	117,100	121,876
Non-controlling interests	38,171	42,021	43,678
TOTAL EQUITY	**144,965**	**159,121**	**165,554**
Non-current liabilities			
Hire purchase payables	414	217	19
Lease liabilities	367	948	1,879
Term loans	-	-	-
	781	**1,165**	**1,898**
Current Liabilities			
Trade payables	10,361	8,358	20,826
Other payables and accruals	9,363	7,205	4,369
Amount owing to a director	1,740	1,272	-
Amount owing to a shareholder	403	294	-
Hire purchase payables	333	284	197
Lease liabilities	786	1,045	1,213
Term loans	627	-	-
Bankers' acceptances	4,895	1,220	1,487
Total current liabilities	**28,508**	**19,678**	**28,092**
TOTAL LIABILITIES	**29,289**	**20,843**	**29,990**
TOTAL EQUITY AND LIABILITIES	**174,254**	**179,964**	**195,544**

(Sources: Annual reports of LCB for the FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025)

As at the LPD, there is no known material change in the financial position of the Group, subsequent to the latest audited consolidated financial statements for the FYE 30 June 2025.

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8. BORROWINGS

As at 31 October 2025, which is not more than 3 months from the preceding the LPD, the total outstanding borrowing of the Group of approximately RM0.45 million is as set out below:

Borrowings	(RM'000)
Short term borrowings:	
Banker's acceptance	304
Hire purchase	146
	450
Long term borrowings:	
Hire purchase	-
Total borrowings	**450**

9. CHANGES IN ACCOUNTING POLICIES

Based on the audited consolidated financial statement of LCB for the FYE 30 June 2023, FYE 30 June 2024, and FYE 30 June 2025, the financial statements have been prepared in accordance with approved accounting standards. Further, there was no audit qualification for LCB' financial statements for the respective years under review.

There is no change in the accounting standards adopted by LCB, which would result in a material variation to the comparable figures for the audited consolidated financial statements of LCB for FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025.

10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there is no material commitment incurred or known to be incurred by the Group, which upon becoming enforceable, may have material impact on the financial position of the Group.

As at the LPD, there is no contingent liability incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the financial position of the Group.

11. MATERIAL LITIGATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Group and there is no proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which materially and adversely affect the business or financial position of the Group.

12. MATERIAL CONTRACTS

As at the LPD, there are no material contracts (not being contracts entered into the ordinary course of business of the Group) that the Group has entered into during the 2 years immediately preceding the date of the announcement of the Proposals on 19 December 2024.

13. HISTORICAL PRICES

The highest and lowest market prices and price at the end of each month of LCB Shares for the past 12 months before the date of the IAL as set out below:

	High (RM)	Low (RM)
2024		
November	0.495	0.430
December	0.485	0.405
2025		
January	0.490	0.435
February	0.470	0.420
March	0.450	0.380
April	0.395	0.330
May	0.415	0.355
June	0.420	0.345
July	0.385	0.335
August	0.370	0.290
September	0.350	0.295
October	0.395	0.305
Last transacted market price as at the LTD		0.440
Last transacted market price as at the LPD		0.320

During the period under review:

(i) the highest market price was RM0.495, which was transacted on 6 November 2024; and

(ii) the lowest market price was RM0.290, which were transacted on 21 August 2025 and 29 August 2025.

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INFORMATION ON DWSK, LESB AND THEIR PACS

1. INFORMATION ON DWSK, LESB AND THEIR PACs

As disclosed in Section 3 of Part A of the Circular, DWSK, LESB and his PACs will submit an application to the SC for the Proposed Exemption from a Mandatory Offer obligation after obtaining the approval for the Proposed Exemption from the non-interested shareholders of LCB at the forthcoming EGM of the Company.

Accordingly, the details of DWSK, LESB and his PACs are as follows:

Name	Age	Country of Incorporation / Nationality	Nature of relationship
<u>Interested Director</u>			
DWSK	57	Malaysian	• The Non-Independent Non-Executive Director • Major Shareholder of LCB • The director and shareholder/ultimate shareholder of the Acquiree Companies
CJH	52	Chinese	• The Independent Non-Executive Director of LCB • The director and shareholder of Expert
Wong Yu Perng	32	Malaysian	• The Non-Independent Non-Executive Director of LCB • The son of DWSK
<u>Interested Parties</u>			
LWF	55	Malaysian	• A shareholder of LCB • The director and shareholder of Expert • A director of Earthwise
Yau Ming Teck	54	Malaysian	• A substantial shareholder of LCB • The joint offeror with DWSK in the conditional mandatory take-over offer on LCB, with the notice of conditional mandatory take-over offer served to LCB on 16 October 2020
LESB	-	Malaysia	• A company in which DWSK holds a 99.05% controlling interest

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INFORMATION ON DWSK, LESB AND THEIR PACS *(cont'd)*

2. LESB

2.1 History and Principal Activities

LESB was incorporated in Malaysia 26 July 2005 as a private limited company. The company is involved in investment holding and the import, export, and trading of steam coal, corn starch, tapioca starch, wheat, diesel and building materials, other services incidental land transportation including international freight forwarding agent and warehousing as well as carry on all kind of agricultural activities.

2.2 Share Capital

As at the LPD, the issued share capital of LESB is as follows:

	No. of Shares	RM
Issued share capital	13,205,000	13,205,000

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

2.3 Shareholders

As at the LPD, the shareholders of LESB and their respective shareholdings in LESB are as follows:

	Direct		Indirect	
	No. of Shares	%(1)	No. of Shares	%(1)
DWSK	13,080,000	99.05	-	-
Wong Kim Loong	125,000	0.95	-	-

Note:

(1) *Based on the issued share capital of 13,205,000 ordinary shares in LESB ("**LESB Share(s)**") as at the LPD.*

2.4 Directors

As at the LPD, the directors of LESB and their respective shareholdings in LESB are as follows:

Name	Nationality	Designation	Address	Direct No. of Shares	Direct %(1)	Indirect No. of Shares	Indirect %(1)
Wong Kim Loong	Malaysian	Company Director	c/o Lot 2293, Jalan Bukit Angkat, Sungai Chua, 43000 Kajang, Selangor	125,000	0.95	-	-
DWSK	Malaysian	Company Director	c/o Lot 2293, Jalan Bukit Angkat, Sungai Chua, 43000 Kajang, Selangor	13,080,000	99.05	-	-

Note:

(1) *Based on the issued share capital of 13,205,000 shares in LESB as at the LPD.*

2.5 Subsidiary, Associate Companies and Joint Ventures

As at the LPD, the subsidiaries companies of LESB are as follows:

Name	Country of incorporation	Effective percentage of ownership (%)	Principal activities
Subsidiaries of LESB:			
Asia Kg	Malaysia	56.00	Sale and purchase of recycling materials
Earthwise	Malaysia	100.00	Sale and purchase of recycling materials
Grominent Sdn Bhd	Malaysia	51.00	Business of operating jetties and operating all other related services of haulage and cartage
LE Logistics Sdn Bhd	Malaysia	100.00	Freight transport by road
Rimbun Cengal Sdn Bhd	Malaysia	100.00	Timber and logging
Cengal Abadi Sdn Bhd	Malaysia	90.00	Timber and logging
Trillion Greenland Sdn Bhd	Malaysia	90.00	Timber and logging

As at the LPD, the associate companies of LESB are as follows:

Name	Country of incorporation	Effective percentage of ownership (%)	Principal activities
Associates of LESB:			
Primahir Recycle Sdn Bhd	Malaysia	45.00	Sales and purchase of recycling materials
Lotus KFM Berhad	Malaysia	23.38	Engaged in flour milling and trading in its related products

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2.6 PROFIT AND DIVIDEND RECORD

The profit and dividend record of LESB on the audited consolidated financial statements for the FYE 30 April 2022, FYE 30 April 2023 and FYE 30 April 2024 are as follows:

	Audited		
	FYE 30 April 2022	**FYE 30 April 2023**	**FYE 30 April 2024**
	(RM'000)	**(RM'000)**	**(RM'000)**
Revenue	179,082	208,192	162,667
Profit/(loss) before tax	(16,471)	(11,058)	56,661
PAT/(LAT)	(18,739)	(14,476)	54,142
Net PAT/(LAT) attributable to:			
- Owners of the company	(18,617)	(15,624)	54,075
- Non-controlling interests	(122)	1,148	67
No. of shares in issue (units '000)	13,205	13,205	13,205
Net EPS/ (loss per share) (sen)[(1)]	(140.98)	(118.32)	410.01
Net dividend per share (sen)	-	-	-

(Sources: The audited consolidated financial statements for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024 of LESB.)

Note:

[(1)] *Based on the net PAT/(LAT) attributable to owners of the Company over the number of ordinary shares in LESB in issue for the respective FYEs.*

There were no material exceptional items in the audited consolidated financial statements of LESB for the FYE 30 April 2022, FYE 30 April 2023, FYE 30 April 2024.

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INFORMATION ON DWSK, LESB AND THEIR PACS *(cont'd)*

The unaudited financial statements for the 5-month FPE 30 April 2025 of LESB (at the company level) is as follows:

	Unaudited 5-month FPE 30 September 2025 (RM'000)
Revenue	38,846
Profit/(loss) before tax	3,833
PAT/(LAT)	2,913
Net PAT/(LAT) attributable to:	
- Owners of the company	2,913
- Non-controlling interests	-
No. of shares in issue (units '000)	13,205
Net EPS/ (loss per share) (sen)[(1)]	20.06
Net dividend per share (sen)	-

Note:

(1) *Based on the net PAT/(LAT) attributable to owners of the Company over the number of LESB Shares in issue for the respective FYEs.*

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2.7 STATEMENT OF ASSETS AND LIABILITIES

The statements of assets and liabilities of LESB based on the audited consolidated financial statements as at 30 April 2022, 30 April 2023, 30 April 2024 are as follows:

		Audited	
	As at 30 April 2022	**As at 30 April 2023**	**As at 30 April 2024**
	(RM'000)	**(RM'000)**	**(RM'000)**
ASSETS			
Non-current assets			
Property, plant and equipment	38,020	43,869	42,316
Investment properties	3,843	3,804	17,696
Deferred logging expenditure	541	4,040	4,494
Investment in associate	57,866	37,408	60,114
Goodwill on combination	14,597	12,428	13,193
Deferred tax assts	-	-	-
Total non-current assets	**114,867**	**101,549**	**137,813**
Current assets			
Inventories	10,566	10,864	6,753
Trade receivables	5,808	16,012	15,558
Other receivables	5,100	11,804	6,559
Amount due by subsidiary companies	-	-	-
Amount due by related parties	56	2,941	18
Amount dye by associated companies	149	4,734	1,775
Tax recoverable	126		
Fixed deposit	1,465	1,079	1,800
Cash and bank balances	11,521	9,977	9,818
Total current assets	**34,791**	**57,411**	**42,281**
TOTAL ASSETS	**149,658**	**158,960**	**180,094**
EQUITY AND LIABILITIES			
Share capital	13,205	13,205	13,205
Retained profits	37,096	22,542	76,617
Shareholders' equities	50,301	35,747	89,822
Non-controlling interests	2,914	4,068	4,175
TOTAL EQUITY	**53,215**	**39,815**	**93,997**
Non-current liabilities			
Other payables	10,968	13,225	11,545
Borrowings	4,236	2,010	13,210
Hire purchase payables	2,887	3,410	5,774
Deferred tax liabilities	437	1,132	1,001
	18,528	**19,777**	**31,530**

INFORMATION ON DWSK, LESB AND THEIR PACS *(cont'd)*

	Audited As at 30 April 2022 (RM'000)	As at 30 April 2023 (RM'000)	As at 30 April 2024 (RM'000)
Current Liabilities			
Trade payables	9,198	13,389	8,271
Other payables	28,407	52,358	17,786
Amount due to related parties	2,527	1,851	1,940
Amount due to a director	17,061	20,740	14,374
Borrowings	19,304	8,800	8,769
Hire purchase payables	1,258	1,642	2,546
Tax payables	160	588	881
Total current liabilities	**77,915**	**99,368**	**54,567**
TOTAL LIABILITIES	**96,443**	**119,145**	**86,097**
TOTAL EQUITY AND LIABILITIES	**149,658**	**158,960**	**180,094**

(Sources: The audited consolidated financial statements for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024 of LESB.)

As at the LPD, there is no known material change in the financial position of the LESB, subsequent to the latest audited consolidated financial statements for the FYE 30 April 2024.

The statements of assets and liabilities of LESB (on a company level) based on the unaudited financial statements as at 30 September 2025 is as follows:

	Unaudited As at 30 September 2025 (RM'000)
ASSETS	
Non-current assets	
Property, plant and equipment	19,720
Investment properties	23,970
Investment in subsidiary companies	23,005
Investment in associates	33,225
Deferred tax assets	228
Total non-current assets	**100,148**
Current assets	
Inventories	928
Trade receivables	6,463
Other receivables	7,443
Amount due by subsidiary companies	4,295
Amount dye by associated companies	-
Fixed deposit with licensed bank	1,804
Cash and bank balances	283
Total current assets	**21,216**
TOTAL ASSETS	**121,364**

	Unaudited As at 30 September 2025 (RM'000)
EQUITY AND LIABILITIES	
Share capital	13,205
Retained profits	55,555
TOTAL EQUITY	**78,760**
Non-current liabilities	
Borrowings	18,016
Hire purchase payables	1,633
	19,649
Current Liabilities	
Trade payables	898
Other payables	8,072
Amount due to subsidiary companies	6,362
Amount owing to associated company	6,746
Amount due to directors	11,118
Tax payables	(241)
Total current liabilities	**32,955**
TOTAL LIABILITIES	**52,604**
TOTAL EQUITY AND LIABILITIES	**121,364**

2.8 CHANGES IN ACCOUNTING POLICIES

Based on the audited consolidated financial statement of LESB for the FYE 30 April 2022, FYE 30 April 2023, FYE 30 April 2024, the financial statements have been prepared in accordance with approved accounting standards. Further, there was no audit qualification for LESB's financial statements for the respective years under review.

There is no change in the accounting standards adopted by LESB, which would result in a material variation to the comparable figures for the audited consolidated financial statements of LESB for FYE April 2022, FYE 30 April 2023 and FYE 30 April 2024.

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FURTHER INFORMATION

1. DISCLOSURE OF INTEREST AND DEALINGS IN SHARES

1.1 By LCB

(i) Dealing in own securities of LCB

LCB has not dealt, directly or indirectly, in its own voting shares or convertible securities of LCB during the period beginning 6 months before the date of the announcement of the Proposal on 19 December 2024 and ending on the LPD.

(ii) Disclosure of interest in LESB

As at the LPD, LCB does not have any interest, direct or indirect, in any voting shares or convertible securities in LESB.

(iii) Dealing in securities of LESB

LCB has not dealt, directly or indirectly, in any voting shares of LESB during the period beginning 6 months before the date of the announcement of the Proposals on 19 December 2024 and ending on the LPD.

1.2 By the Directors of LCB

(i) Disclosure of interest in LCB

As at the LPD, save as disclosed in Section 4, Attachment I of this IAL, the Directors of LCB do not have any other interest, direct or indirect, in any voting shares or convertible securities in LCB.

(ii) Dealing in securities of LCB

The Directors of LCB have not dealt, directly or indirectly, in any voting shares or convertible securities of LCB during the period beginning 6 months before the announcement of the Proposals on 19 December 2024 and ending on the LPD.

(iii) Disclosure of interest in LESB

Save as disclosed below, the Directors of LCB do not have any other interest, direct or indirect, in any voting shares or convertible securities in LESB:

	Direct		Indirect	
	No. of Shares	%[1]	No. of Shares	%[1]
DWSK	38,407,898	26.62	-	-

Note:

(1) *Based on the issued share capital of 144,294,425 LCB Shares as at the LPD.*

(iv) Dealing in securities of LESB

The Directors of LESB have not dealt, directly or indirectly, in any voting shares or convertible securities of LESB during the period beginning 6 months before the announcement of the Proposals on 19 December 2024 and ending on the LPD.

1.3 By DWSK, LESB and their PACs

(i) Disclosure of interest in LCB

As at the LPD, save as disclosed below, DWSK, LESB and their PACs do not have any other interest, direct or indirect, in any voting shares or convertible securities in LCB:

LCB Shares

	Direct		Indirect	
	No. of Shares	**%[(1)]**	**No. of Shares**	**%[(1)]**
DWSK	38,407,898	26.62	-	-
LESB	-	-	-	-
PACs				
Yau Ming Teck	11,324,206	7.85	-	-
LWF	6,104,801	4.23	-	-
CJH	-	-	-	-
Wong Yu Perng	-	-	-	-

Note:

(1) *Based on the issued share capital of 144,294,425 LCB Shares as at the LPD.*

(ii) Dealing in securities of LCB

As at the LPD, DWSK, LESB and their PACs have not dealt, directly or indirectly, in any voting shares or convertible securities in LCB during the period beginning 6 months before the announcement of the Proposal on 19 December 2024 and ending on the LPD.

1.4 By the directors of LESB

(i) Disclosure of interest in LCB

As at the LPD, save as disclosed below, the directors of LESB do not have any other interest, direct or indirect, in any voting shares or convertible securities in LCB:

	Direct		Indirect	
	No. of Shares	**%[(1)]**	**No. of Shares**	**%[(1)]**
DWSK	38,407,898	26.62	-	-

Note:

(1) *Based on the issued share capital of 144,294,425 LCB Shares as at the LPD.*

(ii) Disclosure of dealings in LCB Shares

As at the directors of LESB have not dealt, directly or indirectly, in any voting shares or convertible securities in LCB during the period beginning 6 months before the announcement of the Proposal on 19 December 2024 and ending on the LPD.

1.5 By persons who have irrevocably committed to vote in favour or against the Proposals

As at the LPD, there are no persons who have irrevocably committed themselves to vote in favour or against the Proposals

1.6 By the persons with whom LCB or any persons acting in concert with it has any arrangement

As at the LPD, there are no persons with whom LCB or any persons acting in concert with it have entered into any agreement including any arrangement involving rights over shares, any indemnity arrangement, any agreement or understanding, formal or informal, or whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing pursuant to the Proposals.

1.7 By the persons with whom LESB or any persons acting in concert with it has any arrangement

As at the LPD, there are no persons with whom LESB or any persons acting in concert with it have entered into any agreement including any arrangement involving rights over shares, any indemnity arrangement, any agreement or understanding, formal or informal, or whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing pursuant to the Proposals.

1.8 By the persons with whom LCB or any persons acting in concert with it has borrowed or lent

As at the LPD, there are no persons with whom LCB or any persons acting in concert with it have borrowed or lent any voting shares or convertible securities of LCB.

1.9 By the persons with whom LESB or any persons acting in concert with it has borrowed or lent

As at the LPD, there are no persons with whom LESB or any persons acting in concert with it have borrowed or lent any voting shares or convertible securities of LCB.

1.10 By DWA Advisory

(i) Disclosure of interest in LCB and LESB

As at the LPD, DWA Advisory does not have any interest, whether direct or indirect, in any voting shares or convertible securities of LCB and LESB.

(ii) Disclosure of dealings in securities of LCB and LESB

DWA Advisory has not dealt, directly or indirectly, in LCB Shares or ordinary shares of LESB during the period beginning 6 months before the date of the announcement of the Proposals on 19 December 2024 and ending on the LPD.

(iii) Disclosure of interest in LCB and LESB by funds whose investments are managed by DWA Advisory on a discretionary basis

As at the LPD, DWA Advisory is not involved in management of funds on a discretionary basis.

1.11 By the persons with whom DWSK, LESB and their PACs have any arrangement

As at the LPD, there are no persons with whom DWSK, LESB and their PACs have entered into any agreement including any arrangement involving rights over shares, any indemnity arrangement, any agreement or understanding, formal or informal, or whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing pursuant to the Proposals.

1.12 By the persons with whom DWSK, LESB and their PACs have borrowed or lent

As at the LPD, there are no persons with whom DWSK, LESB and their PACs have borrowed or lent any voting shares or convertible securities of LCB.

2. ARRANGEMENT AFFECTING DIRECTORS

(i) As at the LPD, no payments or other benefits will be made or given to any Directors as compensation for loss of office or otherwise in connection with the Proposals.

(ii) As at the LPD, there are no agreements or arrangements between any Director and any other person which is conditional on or dependent upon the outcome of the Proposals or otherwise connected with the outcome of the Proposals.

(iii) As at the LPD, DWSK, LESB and their PACs have not entered into any material contract in which any Director has a material personal interest.

As at the LPD, there are no agreements, arrangements or understanding existing between DWSK, LESB and their PACs with any of the Directors or recent Directors, holders of voting shares or voting rights or recent holders of voting shares or voting rights of LCB having any connection with or dependence upon the Proposals.

3. SERVICE CONTRACTS

As at the LPD, neither LCB nor its subsidiaries have any service contracts with any Directors or proposed Directors, which have been entered into or amended within 6 months before the date of the announcement of the Proposals on 19 December 2024 or which are fixed term contracts more than 12 months to run.

For the purpose of this section, the term "service contracts" excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAL.

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SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:-

1.0 AGREEMENT

1.1 Sale and Purchase of Sale Shares

The Vendors as the legal and beneficial owner of all the ordinary shares in Earthwise and Expert, comprising 100% of the total issued share capital of Earthwise and Expert ("**Sale Shares**") agree to sell to the Company and the Company agrees to purchase the Sale Shares free from any interest or equity of any person, mortgage, deposit, charge, pledge, lien or assignment and any other form of encumbrance, priority or security interest or arrangement of any nature) together with all rights attached and all dividends, rights and distributions declared, paid or made in respect of the same on the terms and conditions of the SPA as at the completion of the SPA ("**Completion**").

1.2 Purchase Consideration

The Purchase Consideration for the Sale Shares was arrived at on a "willing buyer-willing seller" basis.

1.2.1 Mode of Payment

The Purchase Consideration for the Sale Shares shall be satisfied by a combination of Cash Consideration and issuance of Consideration Shares in the following manner:-

(i) via the issuance and allotment of 156,600,000 Consideration Shares at the Issue Price to the Vendors (or such person(s) nominated by the Vendors)[1] in the proportion and manner as set out in the SPA, representing and amounting to RM64,989,000.00 only on the Completion Date; and

(ii) via the payment of RM35,011,000.00 only in cash to the Vendors (or such person(s) nominated by the Vendors)[1] in the proportion and manner as set out in the SPA by way of electronic transfer within 36 months from the Completion Date.

1.3 Profit Guarantee

1.3.1 Guaranteed Profit

The Vendors warrant and undertake that the Acquiree Companies shall collectively achieve a minimum cumulative aggregate PAT of RM16,000,000.00 only for the FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026, as the case may be ("**Guarantee Period**").

For the purposes of this clause, the PAT of the Acquiree Companies for FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026 (as the case may be) shall be based on the audited PAT of the Acquiree Companies to be determined in accordance with the applicable accounting standards as set out in the audited accounts of the Acquiree Companies for the Guarantee Period, as audited by the Acquiree Companies' auditors. The said auditor shall be acting as experts and not arbitrators and their determination of the PAT for FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026 (as the case may be) shall (save for manifest error) be final and binding on the parties.

1.3.2 If the aggregate PAT of the Acquiree Companies for the Guarantee Period shall be less than the Profit Guarantee (any amount of such shortfall in the said Profit Guarantee shall hereinafter be referred to as the "**Profit Shortfall**"), then and in such an event, the Vendors shall make good the Profit Shortfall (based on the proportion of the Purchase Consideration to be paid to the Vendors for the respective Acquiree Company in accordance with the SPA) by paying to the Acquiree Companies the Profit Shortfall in cash within 90 days from the date of the audited accounts of the respective Acquiree Company for the FYE 30 April 2026/30 June 2026 (whichever is later).

Footnote 1: For clarity, at this juncture, the Vendors have not determined whether any nominees will be appointed to receive the Consideration Shares. In the event the Vendors elect to nominate any person(s) to receive the Consideration Shares, the Vendors and/or such nominee(s) shall ensure compliance with all applicable regulatory requirements.

1.3.3 In the event the Acquiree Companies incur a net loss to be determined in accordance with the applicable accounting standards as shown in the audited accounts of the Acquiree Companies for the Guarantee Period, the Vendors shall pay to the Acquiree Companies (based on the proportion of the Purchase Consideration to be paid to the Vendors for the respective Acquiree Company in accordance with the SPA) the maximum amount equivalent to the Profit Guarantee in cash within 90 days from the date of the audited accounts of the respective Acquiree Company for the FYE 30 April 2026/30 June 2026 (whichever is later).

2.0 CONDITIONS PRECEDENT

2.1 The parties agree that the Proposed Acquisitions is conditional upon the effective fulfilment of the conditions precedent in the SPA as follows:-

(i) the Company having obtained the approval of the non-interested shareholders of the Company at an EGM for the Proposals;

(ii) the approval of the Board at the Board's meetings, for the Proposals;

(iii) where applicable, the approval of the directors of the Vendors at the board of directors' meetings and the shareholders of the Vendors for the sale of the Sale Shares at a general meeting, in accordance with the terms of the SPA;

(iv) the Company having obtained the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market;

(v) the Company having obtained the approval of the SC for the Proposed Exemption;

(vi) no material adverse findings on the Acquiree Companies based on the results of the financial and/or legal due diligence inquiry conducted on the Acquiree Companies and/or all due diligence findings having been rectified to the satisfaction of the Company; and

(vii) such other consents or approvals as may be necessary for the Proposals, from any governmental or regulatory body or competent authority, or third party, as mutually agreed upon by the parties, having been waived or obtained.

2.2 The parties undertake to procure the fulfilment of the conditions precedent that are applicable to them within 6 months form the date of the SPA or such other date(s) the parties may mutually agree in writing ("**Conditional Period**").

2.3 If any approval contains terms and conditions which are not acceptable to any party, the relevant party may within 14 days from the date of receipt of that approval:-

(i) notify the other party in writing that the approval is not acceptable in which case the said condition precedent shall be deemed not fulfilled and Section 2.6 below shall apply mutatis mutandis; or

(ii) apply to the relevant authority to vary the terms and conditions of that approval, if avenues for such application exist, in which case Section 2.5 below shall apply mutatis mutandis.

2.4 If no notice is given under Section 2.3 above, an approval will be deemed to have been obtained.

2.5 If any party applies for variation of an approval under Section 2.3(ii) above, that approval will not be deemed to be obtained for the purpose of this Section 2 until the relevant authority accedes to the request for variation. In the event the relevant authority does not accede to the request for variation, the respective condition shall be deemed not to be met and/or fulfilled.

2.6 Non-Fulfilment of the Conditions Precedent

Subject to the terms as set out in the SPA, unless specifically waived by the parties, if any of the conditions precedent are not fulfilled before the Conditional Period or such extended time as the parties agree in writing (or in the event of Section 2.5 above), the SPA shall cease and determine and neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any representation, undertaking and/or any of the terms of the SPA.

2.7 When Agreement becomes Unconditional

The SPA shall become unconditional when all the conditions precedent shall have been duly fulfilled (other than the conditions precedent which have been waived by written agreement of the parties) ("**Unconditional Date**").

3.0 COMPLETION

3.1 Subject always to the compliance in all respects with all applicable covenants and undertakings given by the Vendors, Completion shall take place on the Completion Date at 11:00 am (Malaysian time) or at such other time as the parties may mutually agree on the Completion Date.

3.2 The Vendors may at any time waive (by written notice to the Company) any obligation of the Company to observe and perform any of the relevant provisions in the SPA and the Company may at any time waive (by written notice to the Vendors) any obligation of the Vendors to observe and perform any of the relevant provisions in the SPA, provided always that any such waiver must not be prohibited by the relevant laws applicable to the parties, the Acquiree Companies and/or the Proposed Acquisitions as contemplated under the SPA.

4.0 PARTIES RIGHT TO TERMINATE

4.1 Any of the parties ("**Terminating Party**") may by written notice given to the other party any time prior to Completion terminate the SPA if any fact, matter or event (whether existing or occurring on or before the date of the SPA or arising or occurring afterwards) comes to the notice of the Terminating Party at any time prior to Completion which:-

(i) constitutes a breach by the other party of any of the provisions under the SPA;

(ii) constitutes a breach of any of the representations and warranties given by the other party;

(iii) where the Terminating Party is the Company, affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of the Acquiree Companies;

(iv) a petition for winding up or bankruptcy is presented against the other party;

(v) where the Terminating Party is the Company, an order is made or a member's resolution is passed for the winding up of the Acquiree Companies;

(vi) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the other party or any part of the other party's assets and properties; or

(vii) an event analogous to any of the subclauses (iv), (v) or (vi) above has occurred in any jurisdiction, the Terminating Party will only give such written notice of termination to the other party where the other party's breach is capable of being remedied, is not remedied within 14 days from the date the Terminating Party gives written notice to the other party of any such breaches above.

4.2 All rights and obligations of the parties shall cease to have effect immediately upon termination of the SPA save for the clauses which are stated to continue in force following termination of the SPA (for whatever reason) and further save that termination of the SPA (for whatever reason) shall be without prejudice to the respective rights and liabilities of each of the parties accrued prior to such termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the parties.

5.0 GOVERNING LAW AND JURISDICTION

5.1 The SPA is governed by and is to be construed in accordance with the laws of Malaysia.

5.2 Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Malaysia and waives any right to object to proceedings being brought in those courts.

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VALUATION REPORT

FAIR VALUATION REPORT

Presented by
Asia Equity Research Sdn Bhd, a company licensed by Securities Commission Malaysia to provide advisory in corporate finance and investment advice.

Fair valuation report for the equity interest in following companies:

- **Earthwise Resources Sdn Bhd.** (Registration No. 200101020685 (556442-T))
- **Expert Resource Management Sdn Bhd** (Registration No. 202001041814 (1398135-U))
- **Tudor Energy Sdn Bhd** (Registration No. 202201024635 (1470332-H))

Independent Fair Valuation Report ("Valuation Report") is prepared by Asia Equity Research Sdn Bhd (**"AER"**), a company licensed by Securities Commission Malaysia in providing advisory in Corporate Finance and Investment Advice, for the board of directors of MESB Berhad (**"MESB" or "the Company"**).

Appointed representatives from MESB and vendors had provided financial projections from Financial Year Ended/Ending (**"FYE"**) 30 April 2025 to FYE 30 April 2029 for Earthwise Resources Sdn Bhd, FYE 30 June 2025 to FYE 30 June 2029 for Expert Resource Management Sdn Bhd, and Tudor Energy Sdn Bhd (**"Future Financials"**) to us. We clarified the assumptions and methodologies used in these projections and reviewed the companies' historical performance. We neither expressly nor impliedly guarantee the accuracy of these projections, as future performance is contingent upon the company's alignment with the Future Financials and external factors such as market conditions and economic variables, which are beyond our control.

We have relied on Future Financials, external information which are extracted from Bloomberg, information published in public domain and our own analysis in order for us to prepare this Valuation Report.

The preparation of the Valuation Report is based on prevailing economic, market and other conditions which may change over time.

Our Valuation Report is prepared based on the information / representation supplied to us on valuation date is correct / accurate. The result of our appraisal is also dependent upon no material omission of any information / representation of which the inclusion of such information / representation may have significant effects on the fair valuation results appraised by us. We reserve the exclusive right to revise our Valuation Report considering any information that existed at the date of the Valuation Report but which becomes known to us subsequent to the date of the Valuation Report.

20 November 2024

AER

ASIA EQUITY RESEARCH SDN BHD
Registration No.: 201401027762 (1103848-M)
(License Number: eCMSL/A0330/2015)
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20 November 2024

MESB BERHAD (Registration No. 199501008356 (337554-D)),
Registered office: -
Third Floor, No. 77, 79 & 81,
Jalan SS 21/60, Damansara Utama,
47400 Petaling Jaya, Selangor Darul Ehsan.

ASCRIBING THE FAIR EQUITY VALUATION FOR THE ENTIRE EQUITY INTEREST IN FOLLOWING COMPANIES:-

- **Earthwise Resources Sdn Bhd;**
- **Expert Resource Management Sdn Bhd; and**
- **Tudor Energy Sdn Bhd**

On 21 August 2024, MESB Berhad ("**MESB**") had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in the following companies:-

Item number	Name of company	Percentage of equity interest to be appraised	Principal activity	Abbreviation
1	Earthwise Resources Sdn Bhd	100%	ERSB primarily trades in recycling materials, such as scraps, plastics, paper, and wood chips, operating from Subang, Kapar, and Puchong.	**ERSB**
2	Expert Resource Management Sdn Bhd	100%	ERMSB mainly deals with recycling materials like scraps and plastics, operating for a company that is involved in the manufacturing of pulp, paper and paperboard as well as providing roll regrinding and reconditioning services in relation to paper industry ("**Company B**")	**ERMSB**
3	Tudor Energy Sdn Bhd	100%	TESB's annual service fee from Company B averages RM300,000 per month for factory waste management. The factory's coal ash produced from the recycled waste are then mixed with cement, stone chips, and quarry waste to produce bricks for contractors.	**TESB**

* ERSB, ERMSB and TESB are referred to as "**Acquiree Companies**".

Asia Equity Research Sdn Bhd ("**AER**") is licensed to provide advisory in Corporate Finance and Investment Advice by the Securities Commission of Malaysia.

Sources of information
This Valuation Report has been prepared by AER based on information (but are not limited to the list as stated below), as provided to us by the Acquiree Companies.

ERSB
- (i) Audited financial statements of ERSB for FYE 30 April 2021, FYE 30 April 2022, FYE 30 April 2023;
- (ii) Audited accounts of ERSB for FYE 30 April 2024;
- (iii) Projected financial statements of ERSB for FYE 30 April 2025 to FYE 30 April 2029;
- (iv) A copy of tax computation for year of assessment of FYE 30 April 2023; and
- (v) Interview sessions

ERMSB
- (i) Audited financial statements of ERMSB for FYE 30 June 2021, FYE 30 June 2022, FYE 30 June 2023;
- (ii) Audited accounts of ERMSB for FYE 30 June 2024;
- (iii) Projected financial statements of ERMSB for FYE 30 June 2025 to FYE 30 June 2029;
- (iv) A copy of tax computation for year of assessment of FYE 30 June 2023; and
- (v) Interview sessions

TESB
- (i) Audited financial statements of TESB for FYE 30 June 2023 that covers a period from 7 July 2022 (i.e. date of incorporation of TESB) to; 30 June 2023;
- (ii) Audited accounts of TESB for FYE 30 June 2024;
- (iii) Projected financial statements of TESB for FYE 30 June 2025 to FYE 30 June 2029;
- (iv) A copy of tax computation for year of assessment of FYE 30 June 2023; and
- (v) Interview sessions

Although the information is obtained from sources considered as reliable by AER, we make no representation as to and accepts no liability for any representations in relation to, the accuracy or completeness of the information contained in this Valuation Report.

Declaration of independence
AER and/or its directors and staff who are involved in this exercise **do not** own any equity ownership in MESB's shares or involve in any advisory matters except being mandated to act as an Independent Valuer.

We have no interest in the outcome of any intended use of the results of our Report.

This engagement has been undertaken with reference to the requirements of International Valuation Standard, 2024 ("**IVS**") published by the International Valuation Standards Council ("**IVSC**").

Definition of fair value
The fair value as appraised by us carries the meaning of "the estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted *knowledgeably, prudently and without compulsion*". This is also defined as market value by the International Valuation Standards established by IVSC.

Summary of the fair value of the entire equity interest in Acquiree Companies.
Based on the use of Free Cash Flow to Equity ("**FCFE**") approach, the fair value for the entire equity interest in the Acquiree Companies is **RM91.5 million to RM104.4 million**.

VALUATION REPORT *(CONT'D)*

Item number	Acquiree Companies	Minimum value, RM million	Maximum value, RM million	Average, RM million
		Equity discount rate at **9.2%**, DLOM[1] of 30%, with an annual steady growth rate of zero percent	Equity discount rate at **9.2%**, DLOM[1] of 20%, with an annual steady growth rate of zero percent	
1	ERSB	62.4	71.3	66.9
2	ERMSB	11.7	13.3	12.5
3	TESB	17.4	19.8	18.6
4	Total	**91.5**	**104.4**	**98.0**

(1) DLOM means Discount for Lack of Marketability

The equivalent implied one year forward P/E and EV/EBITDA for the aggregate fair value range of the Acquiree Companies are as presented in the table below:-

	Forward Price to Earnings ("**P/E**") for FYE 2025 (projection)	Forward Enterprise value to EBITDA ("**EV/EBITDA**") for FYE 2025 (projection)
Implied multiples based on aggregate fair value range of the Acquiree Companies as appraised by AER	**11.2 times to 12.8 times**	**7.0 times to 8.0 times**

Readers are advised to read the entire Valuation Report and specifically **Section 3, Section 4, Section 5, Appendix 1, Appendix 2, Appendix 3** and **Appendix 4** on the key inputs, results of the fair valuation, risk considerations that could affect the fair value of the appraised 100% equity interest in the Acquiree Companies. Please do not hesitate to contact the us if you have any queries on the above matter.

Yours faithfully
ASIA EQUITY RESEARCH SDN BHD

ONG TEE CHIN, CFA, FRM, CAIA
DIRECTOR

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DEFINITIONS

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

"Acquiree Companies"	ERSB, ERMSB, and TESB, individually or together
"β" or **Beta**	"β" or "beta" measures the industry and financial risk of a listed company. It evaluates the systematic risk associated with an industry but does not consider specific risks. Systematic risk, also referred to as market risk, is the inherent risk that impacts the entire market or a large portion of it
"Levered Beta"	Beta measurement which includes industry risk and financial risk
"Unlevered Beta"	Beta measurement with the financial risk being removed
"Bursa Securities"	Bursa Malaysia Securities Berhad
"CAPM"	Capital Asset Pricing Model
"Comparable Companies"	Selected companies focused on recycling listed on Bursa Securities and Singapore Catalist Market with its principal activity in recycling business operating within Malaysia
"DLOM"	Discount for Lack of Marketability
"ERSB"	Earthwise Resources Sdn Bhd (Registration No.: 200101020685 / (556442-T))
"ERMSB"	Expert Resource Management Sdn Bhd (Registration No.: 202001041814 / (1398135-U))
"EBITDA"	Earnings before interest, tax, depreciation, and amortisation
"EV"	Enterprise value
"EV/EBITDA"	EV divided by EBITDA, multiple
"FCFE"	Free Cash Flow to Equity
"Future Financials"	Projected financials for ERSB (FYE 30 April 2025 to FYE 30 April 2029), and for ERMSB and TESB (FYE 30 June 2025 to FYE 30 April 2029)
"FYE"	Financial year ended/ending
"LAT"	Loss after tax attributable to ordinary shareholders of a company
"MESB"	MESB Berhad (Registration No.: 199501008356 (337554-D))
"MFRS"	Malaysian Financial Reporting Standards
"MPERS"	Malaysia Private Entities Reporting Standards

VALUATION REPORT *(CONT'D)*

"PAT"	Profit after tax attributable to ordinary shareholders of a company
"P/E"	Price to earnings multiple which is computed based on market capitalisation (i.e., numerator) divided by the net profit after tax attributable to ordinary shareholders (i.e., denominator)
"RVA"	Relative Valuation Approach
"Report"	Independent fair valuation report on appraising the fair value of the entire equity interest Acquiree Companies
"TESB"	Tudor Energy Sdn Bhd (Registration No.: 202201024635 / (1470332-H))
"Valuation Report"	Independent fair Valuation Report on appraising the fair value of the entire equity interest Acquiree Companies

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1. EXECUTIVE SUMMARY

Item number	Explanation on key message	Section reference
1	**Purpose and scope of work** On 21 August 2024, MESB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in the following companies:- - ERSB - ERMSB - TESB	Section 2.1
2	**Results of valuation** Based on the use of FCFE approach, the fair value for the entire equity interest in the Acquiree Companies is **RM91.5 million** to **RM104.4 million,** with an **average of RM98.0 million** The key assumptions used in arriving at the fair value range is as listed below:- - Equity discount rate of 9.2% - Terminal value upon achieving steady state growth rate is assumed based on growth rate of zero percentage. - DLOM of 20% to 30% - The annual aggregated audited PAT for the Acquiree Companies was RM4.02 million for FYE 2024. The projected PAT for FYE 2025 and FYE 2026 were RM8.17 million and RM9.77 million, respectively. The vendors warranted that the aggregate PAT for FYE 2024 and FYE 2025 would be RM16.0 million over both years or an average of RM8.0 million annually.	Section 3
3	**Explanation of the approach and justification / rationales of using FCFE approach.** **Approach 1 – Income Based Approach** The Acquiree Companies are engaged in the recycling business. The vendors of the Acquiree Companies are guaranteeing a minimum aggregate PAT of RM16 million for the FYE 30 April 2025/30 June 2025 and FYE 30 April 2026/30 June 2026. The FCFE approach includes the profit guarantee provided by the Acquiree Companies' vendors, as it calculates the projected net cash flow to equity shareholders from FYE 2025 to FYE 2026 and the three years following the guarantee. It assumes a terminal value in FYE 2029 based on steady growth. For fair value appraisal, a zero percent steady state growth rate is used after the projected higher growth during the projection period due to increased wood chip business capacity, returning to normal growth post-FYE 2029.	Section 2.4

VALUATION REPORT *(CONT'D)*

Item number	Explanation on key message	Section reference
	Approach 2 – Market Based Approach We determined the fair value of 100% equity interest in the Acquiree Companies by using the FCFE approach to appraise fair value and enterprise value. We then divided these by the projected PAT and EBITDA for the FYE 30 April 2024/30 June 2024 and compared the multiples with those of Comparable Companies.	

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2. BACKGROUND

2.1 INTRODUCTION AND TERMS OF REFERENCE

On 21 August 2024, MESB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in the following companies:-
- ERSB
- ERMSB
- TESB

2.2 INFORMATION ON ACQUIREE COMPANIES

Summarise background information of subject companies and past historical results, as at Valuation Date

Currency: RM million

ERSB	Year ended April	Year ended April	Year ended April	Year ended April
	Audited	Audited	Audited	Audited
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Revenue	27.45	35.70	36.55	29.67
PBT	1.81	2.90	2.14	1.12
PAT	1.34	2.15	1.50	0.57
Net margin, %	4.9%	6.0%	4.1%	1.9%
Net assets	0.39	2.53	2.24	2.81
EBITDA	2.65	3.40	2.73	1.81
Cash and fixed deposit	1.55	3.63	1.40	3.11
Borrowings (including lease liabilities)	1.97	0.47	1.12	1.33
Total fixed assets	2.30	0.75	1.52	1.68
Accounting standards By AER	MFRS			

Currency: RM million

ERMSB	Year ended June	Year ended June	Year ended June	Year ended June
	Audited	Audited	Audited	Audited
	FYE 2021 (from 17 Dec 2020 to 30 June 2021)	FYE 2022	FYE 2023	FYE 2024
Revenue	1.40	5.62	8.33	12.26
PBT	0.35	2.96	2.33	2.42
PAT	0.29	2.29	1.80	1.83
Net margin, %	20.7%	40.7%	21.6%	14.9%
Net assets	0.29	2.58	4.37	5.70
EBITDA	0.35	2.97	2.52	2.72
Cash and fixed deposit	0.43	0.97	0.52	4.94
Borrowings (including lease liabilities)	-	-	-	1.55
Total fixed assets	0.05	0.04	0.93	3.77
Accounting standards By AER	MPERS			

Currency: RM million

TESB	Year ended June	Year ended June	Proforma aggregated results, FYE 2024
	Audited	Audited	
	7 July 2022 to 30 June 2023	FYE 2024	Unaudited (see Note 1 below)
Revenue	2.51	5.52	47.45
PBT	1.26	2.06	5.60
PAT	1.05	1.62	4.02
Net margin, %	42.1%	29.3%	8.5%
Net assets	1.05	2.17	10.68
EBITDA	1.37	2.31	6.84
Cash and fixed deposit	0.39	0.68	8.73
Borrowings (including lease)	-	-	2.88
Total fixed assets	1.18	0.92	6.37
Accounting standards By AER	MPERS		

Note 1 - The aggregate proforma of audited financial statements for ERSB, ERMSB, and TESB for the fiscal years ending April 30, 2024, June 30, 2024, and June 30, 2024, respectively, have been classified as unaudited due to differences in accounting standards being applied, such as the use of MFRS (ERSB) and MPERS (ERMSB and TESB).

Source: ERSB, ERMSB and TESB 4a. Clarifications sought MESB-Excel Final v3b 2. Buying companies- 3 Comps-For verification_Comments

2.3 BACKGROUND INFORMATION OF ACQUIREE COMPANIES AS AT DATE OF REPORT

Item number	Description	ERSB	ERMSB	TESB
1	**Company**	Earthwise Resources Sdn Bhd	Expert Resource Management Sdn Bhd	Tudor Energy Sdn Bhd
2	**Incorporation date**	16 Aug 2001	17 December 2020	7 July 2022
3	**Registered Office**	3rd, Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor.	No. 73-1, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan.	26-13A, Stellar Suites, Jalan Puteri 4/7, Bandar Puteri, Puchong Selangor.
4	**Principal Activity**	ERSB primarily trades in recycling materials, such as scraps, plastics, paper, and wood chips, operating from Subang, Kapar, and Puchong.	ERMSB mainly deals with recycling materials like scraps and plastics, operating within a factory of Company B situated at Banting.	TESB's annual service fee from Company B averages RM300,000 monthly for factory waste management. The coal ash from recycled waste is mixed with cement, stone chips, and quarry waste to create bricks for contractors.
5	**Directors**	Datuk Wong Sak Kuan, Lee Wai Fun	Datuk Wong Sak Kuan Chen, Jianhua Lee Wai Fun	Datuk Wong Sak Kuan Chen, Jianhua Lee Wai Fun
6	**Shareholders**	Lotus Essential Sdn Bhd – 100%	Datuk Wong Sak Kuan – 55% Chen, Jianhua – 35% Lee Wai Fun – 10%	ERMSB – 100%
7	**Subsidiaries and associates**	None	TESB is a subsidiary in which ERMSB holds a 100% equity interest.	None
8	**Latest audited financial year ended**	30 April 2024	30 June 2024	30 June 2024
9	**Auditor**	Crowe Malaysia PLT	SF Chang	CHSS
10	**Accounting standard**	MFRS	MPERS	MPERS
11	**Summary financial highlights** (rounded to RM millions)	For FYE 30 April 2024, the audited revenue was RM29.67 million, with a profit after tax of RM0.57 million and net assets of RM2.81 million.	For FYE 30 June 2024, the audited revenue was RM12.26 million, with a profit after tax of RM1.83 million and net assets of RM5.70 million.	For FYE 30 June 2024, the audited revenue was RM5.52 million, with a profit after tax of RM1.62 million and net assets of RM2.17 million.
12	**Product mix**	The estimated product mix of the collected recycled materials consists of 36% paper, 25% plastic, 26% scrap, and 13% wood chips.	The estimated product mix of the collected recycled materials consists of 9% plastic, 42% metal, 30% aluminum and 19% of traded materials.	The revenue comes from service income for managing Company B's factory waste and sales of bricks made from recycled coal ash.

2.4 APPROACH USED TO VALUE THE ACQUIREE COMPANIES.

Three main approaches are commonly used to appraise the fair value of an entity, namely cost approach, income approach and market approach (Source: IVS 105 Valuation Approaches and Methods).

Item number	Approach	Guidance of its applicability
1	**Asset Based Approach** Cost based approach which measures the net fair values of assets less the liabilities. This approach is **not selected** as the Acquiree Companies are service based and not capital intensive.	This approach is suitable for a company that has substantial assets that are tangible based in nature such as manufacturing companies and property development companies.
2	**Income Based Approach** Free cash flow-based approach which determines the value of a company based on a projected future cash flow of a business. The Acquiree Companies are engaged in the recycling business. The vendors of the Acquiree Companies are guaranteeing a minimum aggregate PAT of RM16 million for the financial years ending 30 June 2025 and 2026. The FCFE approach includes the profit guarantee provided by the Acquiree Companies' vendors, as it calculates the projected net cash flow to equity shareholders from FYE 2025 to FYE 2026 and the three years following the guarantee. It assumes a terminal value in FYE 2029 based on steady growth. For fair value appraisal, a zero percent steady state growth rate is used after the projected higher growth during the projection period due to increased wood chip business capacity, returning to normal growth post-FYE 2029. The FCFE approach has been **selected** as it accommodates the profit guarantee period and incorporates the projections of the Acquiree Companies based on MESB's business plan.	This approach requires a set of projected cash flow statement of Acquiree Companies, which could be estimated with reasonable certainty with basis and assumptions.
3	**Market Based Approach** Market based approach is an approach that compares a company's value to that of its listed competitors or industry peers based on trading multiples such as P/E and EV/EBITDA. This approach was **selected** as a secondary approach.	The Income Based Approach (FCFE) is applied as the primary method, with the Market Based Approach used as a cross-check.

2.5 Comparable Companies

Criteria for selection of Comparable Companies

- The comparable companies are listed on Bursa Securities and Singapore Catalist Market that are involved in recycling business in Malaysia.

- Thus, the selected Comparable Companies include listed firms with recycling as a core business segment to ensure a representative sample size for computing the industry beta.

- We have a sample size of four and this is reasonable number to avoid statistical bias.

Criteria for selection of Comparable Companies

- **JAG Bhd** is listed on the main market of Bursa Securities

  For FYE 31 December 2023, recycling and manufacturing activities of extraction, production and refinery of ferrous, non-ferrous and precious metals via the recovery and reclamation of industrial and electronic waste reported an aggregated revenue of RM189,968,545. This presented approximately 94% of the consolidated revenue.

  The above activities were undertaken by its wholly owned subsidiary, i.e. Jaring Metal Industries Sdn Bhd.

- **5E Resources Ltd** is listed on the Catalist Board of the Singapore Stock Exchange Securities Trading Limited

  The Group is principally engaged in scheduled waste management services, sales of recovered and recycled products and chemical trading. For the financial years ended 31 December 2023 and 2022, there are three operating segments based on business type:
  (1) scheduled waste management services,
  (2) sales of recovered and recycled products, and
  (3) chemical trading.

  For FYE 31 December 2023, scheduled waste management services, sales of recovered and recycled products and chemical trading made up RM68,519,000, RM9,990,000 and RM1,452,000 respectively.

  Established since 1997, 5E Resources Limited ("5E Resources" or the "Company") and together with its subsidiaries, the "Group") is one of the largest scheduled waste management services providers in Malaysia, focusing on the collection, transportation and treatment of scheduled waste. We aim to relieve customers of their environmental impact liabilities by providing them with tailored solutions that strive to maximise recovery of resources and minimise waste disposal. Our established customer base covers eight out of 13 states and two federal territories in Peninsular Malaysia. We have two other complementary business segments, namely the sales of recovered and recycled products, and chemical trading.

  Source: SE Resources Annual Report for FYE 31 December 2023

VALUATION REPORT *(CONT'D)*

- **Tex Cycle Technology (M) Berhad** is listed on the ACE market of Bursa Securities.

  For FYE 31 December 2023, provision of waste recovery and recycling services, and rental of recycled products reported an aggregated revenue of RM29,144,021. This represented approximately 83% of the consolidated revenue.

- **Muda Holdings Berhad** is listed on the main market of Bursa Securities.

  Although Muda Holdings Berhad is not directly involved in paper production or recycling as a standalone business, it has been selected as a comparable company. This selection is due to ERSB selling its recycled paper to one of its wholly owned subsidiaries, which uses it as raw material for producing finished paper products. Also, Muda Holdings Ltd is involved in the trading or recovered paper and stationery products. Consequently, ERSB's business is positively correlated to the performance of paper products, justifying its selection.

  Further information on the selected Comparable Companies including description, financial and valuation metrics are as presented under **Appendix 8.**

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3 KEY INPUT METRICS USED IN DETERMINING THE FAIR VALUE OF ACQUIREE COMPANIES

The main input valuation metrics that are used in ascribing the fair value:-

Item number	Input metrics	Source of input metrics and its basis	Input values used in FCFE
1	Cost of equity	For the purpose of our evaluation, we have applied a cost of equity of 9.2%. See **Appendix 5**	**9.2%**
	DLOM	DLOM of 20% to 30% for maximum and minimum value range respectively See **Appendix 5**	**20% - 30%**
2	Terminal Value ("**TV**")	$TV = \frac{FCFE_{2029} \times (1+g)}{(r-g)}$ r = Equity discount rate g = Annual steady state growth rate	
	Annual sustainable growth rate	The Acquiree Companies' aggregated revenue is projected to grow at 51%, -12%, 2%, 2%, and 2% annually for FYE/FPE 2025, FYE 2026, FYE 2027, FYE 2028, and FYE 2029 (the **"Evaluation Period"**). Companies often experience higher growth rates during their growth stage compared to the industry average. Upon reaching a mature phase, these companies typically return to a normal growth rate. The terminal value calculation is based on the projected free cash flow in the final year of evaluation, FYE 2029, which depends on growth assumptions during the Evaluation Period. To mitigate the risk of overvaluation due to compounding effects from the assumed higher growth rate during the Evaluation Period, a conservative approach is used for determining the terminal value, based on an assumed annual steady state growth rate of 0%. AER had also supplemented the FCFE valuation by computing the implied one year forward P/E and EV/EBITDA and noted that the fair value range is within the traded Comparable Companies.	
3	- Revenue	The annual projected aggregated revenue for each of 12 months, for the Acquiree Companies was RM47.45 million (historical, FYE2024), RM71.73 million (projected, FYE2025), RM62.81 million (projected, FYE2026), RM64.13 million (projected, FYE2027), RM65.47 million (projected, FYE2028), and RM66.85 million (projected, FYE2029).	
4	- Profit after tax	The annual projected aggregated PAT for each of 12 months, for the Acquiree Companies was RM4.02 million (historical, FYE2024), RM8.17 million (projected, FYE2025), RM9.77 million (projected, FYE2026), RM9.81 million (projected, FYE2027), RM9.84 million (projected, FYE2028), and RM9.86 million (projected, FYE2029).	
5	Net margin	The annual projected aggregated net margin or each of 12 months, for the Acquiree Companies was 8.5% (historical, FYE2024), 11.4% (projected, FYE2025), 15.6% (projected, FYE2026), 15.3% (projected, FYE2027), 15.0% (projected, FYE2028), and 14.7% (projected, FYE2029).	
6	Corporate tax rate	The projected corporate tax rate is assumed at 24%.	

VALUATION REPORT *(CONT'D)*

Other assumptions:-

Separate Future Financials statements are used in appraising the fair value of each entity

The Future Financials of each of the companies were prepared separately, even though TESB is a wholly owned subsidiary of ERMSB. The reason being that the Sum-of-Parts approach is adopted for valuation of ERMSB and TESB that have substantial differences in operations and revenue streams. ERMSB focuses on remediation and waste management, relying on recyclable materials from Company B. TESB earns income through coal ash management and recycling it into bricks with additional materials such as bulk cement, chipping stones, sand, and quarry waste. These distinct business models result in unique cost structures, growth potential, and risk profiles. Valuing ERMSB and TESB separately and combining their valuations ensures that each entity's financial and operational characteristics are more appropriate to capture the differing business, risk and growth profile. This method avoids oversimplifying differences, providing a clearer and more precise valuation reflecting each company's fair value within the group.

The Future Financials of ERMSB assume all annual projected sales are to third parties, with no inventory held by ERSB in any projection year.

ERSMB sells the finished recycled products to ERSB before it sells to third party in the actual operation. The Future Financials were prepared based on the projection of sales by each company that the level of inventories remains unchanged during each of the year ending for the entire projection period of both ERMSB and ERSB.

Hence, the valuation of ERMSB and ERSB based on Future Financials excludes transactions between them and shall result in a fair value for each of the both entities.

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4. FAIR EQUITY VALUE FOR 100% EQUITY INTEREST IN ACQUIREE COMPANIES

Summary of the fair value of the entire equity interest in Acquiree Companies.
Based on the use of Free Cash Flow to Equity ("**FCFE**") approach, the fair value for the entire equity interest in the Acquiree Companies is **RM91.5 million** to **RM104.4 million**.

Item number	Acquiree Companies	Minimum value, RM million	Maximum value, RM million	Average, RM million
		Equity discount rate at **9.2%**, DLOM[1] of 30%, with an annual steady growth rate of zero percent	Equity discount rate at **9.2%**, DLOM[1] of 20%, with an annual steady growth rate of zero percent	
1	ERSB	62.4	71.3	66.9
2	ERMSB	11.7	13.3	12.5
3	TESB	17.4	19.8	18.6
4	Total	**91.5**	**104.4**	**98.0**

(1) DLOM means Discount for Lack of Marketability

The equivalent implied one year forward P/E and EV/EBITDA for the aggregate fair value range of the Acquiree Companies are as presented in the table below:-

	Forward Price to Earnings ("**P/E**") for FYE 2025 (projection)	Forward Enterprise value to EBITDA ("**EV/EBITDA**") for FYE 2025 (projection)
Implied multiples based on aggregate fair value range of the Acquiree Companies as appraised by AER	**11.2 times to 12.8 times**	**7.0 times to 8.0 times**

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5. RISK CONSIDERATION IN FAIR VALUATION ASCRIBED

The fair valuation ascribed for Acquiree Companies, could be affected by a number of major risk factors including as follows under the following broad categories amongst others: -

(i) The annual projected revenue for the Acquiree Companies is RM47.45 million (historical, FYE2024), RM71.73 million (projected, FYE2025), RM62.81 million (projected, FYE2026), RM64.13 million (projected, FYE2027), RM65.47 million (projected, FYE2028), and RM66.85 million (projected, FYE2029). Any decrease from these projections will result in a discount to fair value. We require written representation that these projections are adequately supported through purchase orders, contracts from the companies under valuation and reasonable assumptions from the vendors, but there remains a risk that actual revenue may be lower than anticipated.

(ii) The annual projected aggregated net margin or each of 12 months, for the Acquiree Companies was 8.5% (historical, FYE2024), 11.4% (projected, FYE2025), 15.6% (projected, FYE2026), 15.3% (projected, FYE2027), 15.0% (projected, FYE2028), and 14.7% (projected, FYE2029). Any factors that results in lower actual net margin as compared with the base case projection net margin shall translate to a discount to a fair value as ascribed by us.

(iii) Any unforeseen factors that resulted in the **non-satisfactory maintenance** of the equipment used in the recycling business of the Acquiree Companies, may lead to any temporary or long term interruption that has the effect of reducing the fair value ascribed by us.

(iv) Any deviations in the major assumptions as listed in **Section 3** of this Valuation Report from the base case assumptions shall have a positive or negative effects of the fair value as appraised by us.

(v) Any **unforeseen cost overrun** that resulted in lower return of equity shall represent a discount to the fair value ascribed by us.

(vi) Global and regional economic activity which is dependent on a number of factors such as **political and macro-economic factors** beyond the control of Acquiree Companies subjected to fair valuation exercise. Significant global events that affect the regional and global growth may translate to lesser business volumes and accordingly shall negatively affect the fair valuation. During such period, valuation metrics may also change as investors tend to become risk adverse in most asset classes of investments and hence requiring higher required rate of return in appraising its valuation during periods of uncertainties which translate to a lower fair value range.

(vii) **Changes in investor's risk appetite** in the equity capital markets may contribute either positively or negatively to the Acquiree Companies subjected to fair valuation exercise. In circumstances that lead to risk aversion shall result in lesser weightings allocated to equity capital markets and hence causing the equity price to be lower than the fair value as ascribed. Conversely, in circumstances that lead to increasing risk appetite shall result in increased weights allocated to equity capital markets and hence causing the equity price to be higher than its fair value as ascribed.

APPENDIX 1 – Financial highlights of Acquiree Companies

- **Historical results of the Acquiree Companies**

Summarise background information of subject companies and past historical results, as at Valuation Date

ERSB	Year ended April	Year ended April	Year ended April	Year ended April
	Currency: RM million			
	Audited	Audited	Audited	Audited
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Revenue	27.45	35.70	36.55	29.67
PBT	1.81	2.90	2.14	1.12
PAT	1.34	2.15	1.50	0.57
Net margin, %	4.9%	6.0%	4.1%	1.9%
Net assets	0.39	2.53	2.24	2.81
EBITDA	2.65	3.40	2.73	1.81
Cash and fixed deposit	1.55	3.63	1.40	3.11
Borrowings (including lease liabilities)	1.97	0.47	1.12	1.33
Total fixed assets	2.30	0.75	1.52	1.68
Accounting standards By AER	MFRS			

ERMSB	Year ended June	Year ended June	Year ended June	Year ended June
	Currency: RM million			
	Audited	Audited	Audited	Audited
	FYE 2021 (from 17 Dec 2020 to 30 June 2021)	FYE 2022	FYE 2023	FYE 2024
Revenue	1.40	5.62	8.33	12.26
PBT	0.35	2.98	2.33	2.42
PAT	0.29	2.29	1.80	1.83
Net margin, %	20.7%	40.7%	21.6%	14.9%
Net assets	0.29	2.58	4.37	5.70
EBITDA	0.35	2.97	2.52	2.72
Cash and fixed deposit	0.43	0.97	0.52	4.94
Borrowings (including lease liabilities)	-	-	-	1.55
Total fixed assets	0.05	0.04	0.93	3.77
Accounting standards By AER	MPERS			

TESB	Year ended June	Year ended June	Proforma aggregated results, FYE 2024
	Currency: RM million		
	Audited	Audited	Unaudited (see Note 1 below)
	7 July 2022 to 30 June 2023	FYE 2024	
Revenue	2.51	5.52	**47.45**
PBT	1.26	2.06	**5.60**
PAT	1.05	1.62	**4.02**
Net margin, %	42.1%	29.3%	**8.5%**
Net assets	1.05	2.17	**10.68**
EBITDA	1.37	2.31	**6.84**
Cash and fixed deposit	0.39	0.68	**8.73**
Borrowings (including lease	-	-	**2.88**
Total fixed assets	1.18	0.92	**6.37**
Accounting standards By AER	MPERS		

Note 1 - The aggregate proforma of audited financial statements for ERSB, ERMSB, and TESB for the fiscal years ending April 30, 2024, June 30, 2024, and June 30, 2024, respectively, have been classified as unaudited due to differences in accounting standards being applied, such as the use of MFRS (ERSB) and MPERS (ERMSB and TESB).

Source: MESB and Acquiree Companies 4a. Clarifications sought MESB-Excel Final v3b 2. Buying companies- 3 Comps-For verification_Comments

	Projected results				
	FYE 2025	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Revenue	71.73①	62.81	64.13	65.47	66.85
PBT	10.77	12.86	12.90	12.94	12.98
PAT	8.17	9.77	9.81	9.84	9.86
Net margin, %	11.4%	15.6%	15.3%	15.0%	14.7%
Net assets	18.86	28.62	38.43	48.27	58.13
EBITDA	13.06	15.18	15.26	15.33	15.41
ROE,%	43%	34%	26%	20%	17%

① Includes a one time off projected revenue of of RM13.25 million in ERMSB

Source: 6. Report 2. Forecast - Valuer v3d- 2024.11.28 (final) -

- **Projected results of the Acquiree Companies**

Earthwise Resources Sdn Bhd

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue	39.77	43.68	44.56	45.45	46.37
PBT	6.71	9.84	9.92	9.99	10.07
PAT	5.10	7.48	7.54	7.60	7.65
Net margin, %	12.8%	17.1%	16.9%	16.7%	16.5%
Net assets	7.91	15.39	22.93	30.53	38.18
EBITDA	7.60	10.73	10.80	10.88	10.96
ROE, %	64.5%	48.6%	32.9%	24.9%	20.0%

Expert Resource Management Sdn Bhd

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue	25.15①	12.25	12.62	13.00	13.39
PBT	1.26	0.28	0.30	0.32	0.34
PAT	0.95	0.21	0.23	0.24	0.26
Net margin, %	3.8%	1.7%	1.8%	1.9%	2.0%
Net assets	6.65	6.86	7.09	7.33	7.59
EBITDA	2.39	1.44	1.49	1.53	1.58
ROE, %	14.3%	3.1%	3.2%	3.3%	3.4%

① Includes a one time off projected revenue of RM13.25 million

Tudor Energy Sdn Bhd

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue	6.81	6.88	6.95	7.02	7.09
PBT	2.79	2.74	2.69	2.63	2.57
PAT	2.12	2.08	2.04	2.00	1.95
Net margin, %	31.2%	30.3%	29.4%	28.5%	27.5%
Net assets	4.29	6.37	8.41	10.41	12.36
EBITDA	3.06	3.02	2.97	2.92	2.87
ROE, %	49.5%	32.7%	24.3%	19.2%	15.8%

Source: ERSB, ERMSB and TESB 6. Report 2. Forecast - Valuer v3d - 2024.11.28 (final) -

APPENDIX 2 – Minimum and Maximum fair value range for ERSB

Earthwise Resources Sdn Bhd	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue					
Paper	13.81	14.22	14.65	15.10	15.55
Plastic	9.75	10.04	10.24	10.45	10.66
Scrap	9.98	10.08	10.28	10.49	10.70
Wood	6.23	9.33	9.38	9.42	9.46
	39.77	43.68	44.56	45.45	46.37
Cost of sales					
Paper	(8.67)	(8.93)	(9.20)	(9.48)	(9.77)
Plastic	(6.39)	(6.58)	(6.71)	(6.85)	(6.98)
Scrap	(8.54)	(8.63)	(8.80)	(8.98)	(9.16)
Wood	(1.22)	(1.28)	(1.31)	(1.35)	(1.39)
	(24.82)	(25.42)	(26.03)	(26.66)	(27.30)
Gross profit					
Paper	5.14	5.29	5.45	5.61	5.78
Plastic	3.36	3.46	3.53	3.60	3.67
Scrap	1.44	1.45	1.48	1.51	1.54
Wood	5.02	8.06	8.06	8.07	8.08
	14.95	18.26	18.53	18.80	19.08
Administrative expenses	(2.57)	(2.58)	(2.60)	(2.62)	(2.64)
Staff expenses	(3.97)	(4.08)	(4.21)	(4.34)	(4.47)
Operational expenses	(1.65)	(1.70)	(1.75)	(1.80)	(1.85)
Finance charges	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
PBT	6.71	9.84	9.92	9.99	10.07
Taxation	(1.61)	(2.36)	(2.38)	(2.40)	(2.42)
PAT	**5.10**	**7.48**	**7.54**	**7.60**	**7.65**
PBT	6.71	9.84	9.92	9.99	10.07
Add non-cash items					
Depreciation and interest expenses	0.88	0.88	0.88	0.88	0.88
EBITDA	7.60	10.73	10.80	10.88	10.96
Capital expenditure	(0.69)	-	-	-	-
Tax expense	(1.61)	(2.36)	(2.38)	(2.40)	(2.42)
Interest expenses	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
FCFE	5.26	8.32	8.38	8.44	8.50
Terminal value					92.34
FCFE and terminal value	5.26	8.32	8.38	8.44	100.84
Discount factor 9.2%	0.9158	0.8386	0.7679	0.7032	0.6440
Annual sustainable growth rate -					
Present value	4.82	6.98	6.43	5.93	64.94
Total equity value	89.10				
Less illiquidity discount 30%	(26.73)				
Fair value	62.37				

Earthwise Resources Sdn Bhd	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue					
Paper	13.81	14.22	14.65	15.10	15.55
Plastic	9.75	10.04	10.24	10.45	10.66
Scrap	9.98	10.08	10.28	10.49	10.70
Wood	6.23	9.33	9.38	9.42	9.46
	39.77	43.68	44.56	45.45	46.37
Cost of sales					
Paper	(8.67)	(8.93)	(9.20)	(9.48)	(9.77)
Plastic	(6.39)	(6.58)	(6.71)	(6.85)	(6.98)
Scrap	(8.54)	(8.63)	(8.80)	(8.98)	(9.16)
Wood	(1.22)	(1.28)	(1.31)	(1.35)	(1.39)
	(24.82)	(25.42)	(26.03)	(26.66)	(27.30)
Gross profit					
Paper	5.14	5.29	5.45	5.61	5.78
Plastic	3.36	3.46	3.53	3.60	3.67
Scrap	1.44	1.45	1.48	1.51	1.54
Wood	5.02	8.06	8.06	8.07	8.08
	14.95	18.26	18.53	18.80	19.08
Administrative expenses	(2.57)	(2.58)	(2.60)	(2.62)	(2.64)
Staff expenses	(3.97)	(4.08)	(4.21)	(4.34)	(4.47)
Operational expenses	(1.65)	(1.70)	(1.75)	(1.80)	(1.85)
Finance charges	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
PBT	6.71	9.84	9.92	9.99	10.07
Taxation	(1.61)	(2.36)	(2.38)	(2.40)	(2.42)
PAT	**5.10**	**7.48**	**7.54**	**7.60**	**7.65**
PBT	6.71	9.84	9.92	9.99	10.07
Add non-cash items					
Depreciation and interest expenses	0.88	0.88	0.88	0.88	0.88
EBITDA	7.60	10.73	10.80	10.88	10.96
Capital expenditure	(0.69)	-	-	-	-
Tax expense	(1.61)	(2.36)	(2.38)	(2.40)	(2.42)
Interest expenses	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
FCFE	5.26	8.32	8.38	8.44	8.50
Terminal value					92.34
FCFE and terminal value	5.26	8.32	8.38	8.44	100.84
Discount factor 9.2%	0.9158	0.8386	0.7679	0.7032	0.6440
Annual sustainable growth rate -					
Present value	4.82	6.98	6.43	5.93	64.94
Total equity value	89.10				
Less illiquidity discount 20%	(17.82)				
Fair value	71.28				

Source: 6. Report 2. Forecast - Valuer v3d- 2024.11.28 (final) -

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VALUATION REPORT *(CONT'D)*

APPENDIX 3 – Minimum and Maximum fair value range for ERMSB

Expert Resource Management Sdn Bhd	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
SALES					
SALES					
RECYCLE - SALES (PLASTIC A)	0.63	0.65	0.67	0.69	0.71
RECYCLE - SALES (PLASTIC B)	0.47	0.49	0.50	0.52	0.53
RECYCLE - SALES (SCRAP METAL A)	2.31	2.37	2.45	2.52	2.59
RECYCLE - SALES (SCRAP METAL B)	2.68	2.76	2.84	2.92	3.01
RECYCLE - SALES (ALUMINIUM)	3.57	3.68	3.79	3.90	4.02
TRADING - SALES	2.24	2.31	2.38	2.45	2.52
	11.90	12.25	12.62	13.00	13.39
Cost of goods sold	(9.33)	(9.61)	(9.90)	(10.20)	(10.51)
Gross profit from one off sale	1.00				
Gross profit	3.56	2.64	2.72	2.80	2.89
Operating expenses	(2.31)	(2.36)	(2.42)	(2.48)	(2.54)
PBT	1.26	0.28	0.30	0.32	0.34
Tax	(0.30)	(0.07)	(0.07)	(0.08)	(0.08)
PAT	**0.95**	**0.21**	**0.23**	**0.24**	**0.26**
PBT	1.26	0.28	0.30	0.32	0.34
Add non-cash items					
Depreciation and interest expenses	1.14	1.16	1.19	1.21	1.24
EBITDA	2.39	1.44	1.49	1.53	1.58
Capital expenditure	-	-	-	-	-
Tax expense	(0.30)	(0.07)	(0.07)	(0.08)	(0.08)
Interest expenses	-	-	-	-	-
FCFE	2.09	1.37	1.41	1.46	1.50
Terminal value					16.32
FCFE and terminal value	2.09	1.37	1.41	1.46	17.82
Discount factor 9.2%	0.9158	0.8386	0.7679	0.7032	0.6440
Annual sustainable growth rate -					
Present value	1.92	1.15	1.09	1.02	11.47
Total equity value	16.65				
Less illiquidity discount 30%	(5.00)				
Fair value	**11.66**				

Expert Resource Management Sdn Bhd	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
SALES					
SALES					
RECYCLE - SALES (PLASTIC A)	0.63	0.65	0.67	0.69	0.71
RECYCLE - SALES (PLASTIC B)	0.47	0.49	0.50	0.52	0.53
RECYCLE - SALES (SCRAP METAL A)	2.31	2.37	2.45	2.52	2.59
RECYCLE - SALES (SCRAP METAL B)	2.68	2.76	2.84	2.92	3.01
RECYCLE - SALES (ALUMINIUM)	3.57	3.68	3.79	3.90	4.02
TRADING - SALES	2.24	2.31	2.38	2.45	2.52
	11.90	12.25	12.62	13.00	13.39
Cost of goods sold	(9.33)	(9.61)	(9.90)	(10.20)	(10.51)
Gross profit from one off sale	1.00				
Gross profit	3.56	2.64	2.72	2.80	2.89
Operating expenses	(2.31)	(2.36)	(2.42)	(2.48)	(2.54)
PBT	1.26	0.28	0.30	0.32	0.34
Tax	(0.30)	(0.07)	(0.07)	(0.08)	(0.08)
PAT	**0.95**	**0.21**	**0.23**	**0.24**	**0.26**
PBT	1.26	0.28	0.30	0.32	0.34
Add non-cash items					
Depreciation and interest expenses	1.14	1.16	1.19	1.21	1.24
EBITDA	2.39	1.44	1.49	1.53	1.58
Capital expenditure	-	-	-	-	-
Tax expense	(0.30)	(0.07)	(0.07)	(0.08)	(0.08)
Interest expenses	-	-	-	-	-
FCFE	2.09	1.37	1.41	1.46	1.50
Terminal value					16.32
FCFE and terminal value	2.09	1.37	1.41	1.46	17.82
Discount factor 9.2%	0.9158	0.8386	0.7679	0.7032	0.6440
Annual sustainable growth rate -					
Present value	1.92	1.15	1.09	1.02	11.47
Total equity value	16.65				
Less illiquidity discount 20%	(3.33)				
Fair value	**13.32**				

Source: 6. Report 2. Forecast - Valuer v3d- 2024.11.28 (final) -

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VALUATION REPORT *(CONT'D)*

APPENDIX 4 – Minimum and Maximum fair value range for TESB

Tudor Energy Sdn Bhd	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Sales Service Income to Company B	3.90	3.94	3.98	4.01	4.06
Cost of goods sold	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)
Gross profit	3.78	3.82	3.85	3.89	3.92
Sales of finished goods	2.91	2.94	2.97	3.00	3.03
Cost of finished goods	(2.40)	(2.47)	(2.55)	(2.62)	(2.70)
Gross profit	0.51	0.47	0.42	0.38	0.33
Total gross profit	4.29	4.28	4.28	4.26	4.25
Staff cost	(1.46)	(1.50)	(1.55)	(1.60)	(1.64)
Administration cost	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
PBT	2.79	2.74	2.69	2.63	2.57
Tax	(0.67)	(0.66)	(0.64)	(0.63)	(0.62)
PAT	**2.12**	**2.08**	**2.04**	**2.00**	**1.95**
PBT	2.79	2.74	2.69	2.63	2.57
Add non-cash items Depreciation and interest expenses	0.27	0.28	0.29	0.29	0.30
EBITDA	3.06	3.02	2.97	2.92	2.87
Capital expenditure	-	-	-	-	-
Tax expense	(0.67)	(0.66)	(0.64)	(0.63)	(0.62)
Interest expenses	-	-	-	-	-
FCFE	2.39	2.36	2.33	2.29	2.25
Terminal value					24.50
FCFE and terminal value	2.39	2.36	2.33	2.29	26.75
9.2% Annual sustainable growth rate	0.9158	0.8386	0.7679	0.7032	0.6440
Present value	2.19	1.98	1.79	1.61	17.23
Total equity value	24.80				
Less illiquidity discount 30%	(7.44)				
Fair value	**17.36**				

Tudor Energy Sdn Bhd	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Sales Service Income to Company B	3.90	3.94	3.98	4.01	4.06
Cost of goods sold	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)
Gross profit	3.78	3.82	3.85	3.89	3.92
Sales of finished goods	2.91	2.94	2.97	3.00	3.03
Cost of finished goods	(2.40)	(2.47)	(2.55)	(2.62)	(2.70)
Gross profit	0.51	0.47	0.42	0.38	0.33
Total gross profit	4.29	4.28	4.28	4.26	4.25
Staff cost	(1.46)	(1.50)	(1.55)	(1.60)	(1.64)
Administration cost	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
PBT	2.79	2.74	2.69	2.63	2.57
Tax	(0.67)	(0.66)	(0.64)	(0.63)	(0.62)
PAT	**2.12**	**2.08**	**2.04**	**2.00**	**1.95**
PBT	2.79	2.74	2.69	2.63	2.57
Add non-cash items Depreciation and interest expenses	0.27	0.28	0.29	0.29	0.30
EBITDA	3.06	3.02	2.97	2.92	2.87
Capital expenditure	-	-	-	-	-
Tax expense	(0.67)	(0.66)	(0.64)	(0.63)	(0.62)
Interest expenses	-	-	-	-	-
FCFE	2.39	2.36	2.33	2.29	2.25
Terminal value					24.50
FCFE and terminal value	2.39	2.36	2.33	2.29	26.75
9.2% Annual sustainable growth rate	0.9158	0.8386	0.7679	0.7032	0.6440
Present value	2.19	1.98	1.79	1.61	17.23
Total equity value	24.80				
Less illiquidity discount 20%	(4.96)				
Fair value	**19.84**				

Source: 6. Report 2. Forecast - Valuer v3d- 2024.11.28 (final) -

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VALUATION REPORT *(CONT'D)*

APPENDIX 5 – Equity Discount Rate of **9.2%** (round to nearest decimal place)

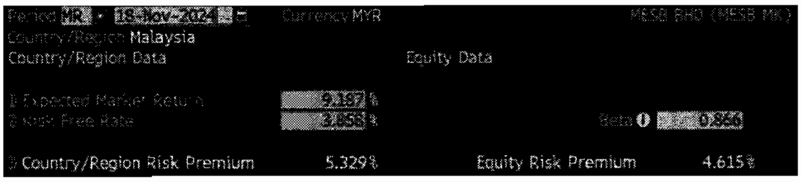
Discount rate on Valuation Date

	Valuation metrics	CAPM formula	Malaysia	
1	Annual expected market return	r_m	9.187%	
2	Annual risk-free rate	r_f	3.858%	
3	Equity risk premium	$r_m - r_f$	5.329%	
4	Levered beta for the proforma consolidated of ERSB, ERMSB and TESB	beta (b)	0.998	
5	Equity risk premium x beta	beta x $(r_m - r_f)$	5.32%	
6	Required rate of return	r_f + beta x $(r_m - r_f)$	9.18%	
7	Specific risk	e	0.00%	Note 1
8	Equity discount rate	r_f + beta x $(r_m - r_f)$ + e	9.18%	
9	Equity discount rate used in the Valuation Certificate by AER		**9.18%**	

Appraised by AER **Say 9.20%**

Note 1

The specific risk has been included in the valuation by pricing a DLOM range of between 20% to 30%



Notes on DLOM
DLOM, or Discount for Lack of Marketability, reduces a private company's value to account for the challenge of selling its shares compared to publicly traded companies. Public company shares are listed on exchanges, making them easier to buy and sell. However, unlisted company shares lack such platforms, requiring significant time and effort to market. The discount is evident when comparing pre-IPO and post-IPO prices, reflecting higher risk and lower liquidity of a private company like ERSB, ERMSB and TESB. DLOM typically ranges from 23.96% to 32.44%, calculated by analysing non-marketable assets or the firm's specific characteristics. (2019/2020 thesis on DLOM for privately held companies in North Italy, by Alberto Crisostomo)

There is no universal method for computing DLOM. Appraisers typically rely on historical studies and tailor analyses based on the firm's specifics or professional guidelines, as advised by tax courts.

AER references recommendations from professional bodies like Chartered Financial Analyst Institute (**"CFAI"**). The CFAI textbook *Alternative Investments Portfolio Management (2014)* on pages 40-41 discusses methods for accounting for DLOM (Discount for Lack of Marketability) with an empirical discount range of **20%-30%,** as cited in the CCH Business Valuation Guide.

Source: 2b. Bloomberg - 18 November 2024 1. WACC-pasted-18 Nov 2024 - Final

APPENDIX 6 – Methodology adopted by AER in determining the unlevered beta of the companies involved in recycling business operating in Malaysia.

Unlevering and relevering betas
Betas calculated based on publicly traded companies reflect the actual capital structure of the related entity and are referred to as levered betas. To determine the unlevered beta for a particular industry, the comparable companies calculated betas obtained from Bloomberg are recalculated to remove the effects of the financial gearing, to determine the unlevered beta. The average risk adjusted unlevered beta is relevered based on the assumed capital structure of the proposed project under evaluation. The process of unlevering and relevering betas are determined using the Hamada Formula / Hamada's Equation.

$$\text{Beta } (\beta) \text{ asset (unlevered)} = V_E/[V_E + V_D(1\text{-tax})] * \text{Beta } (\beta) \text{ equity}$$

Beta (β) asset (unlevered)	Beta unlevered
Beta (β) equity (Adjusted beta)	Beta levered
T	Tax rate for the company
V_d	Percentage of debt in the capital structure at market value
V_e	Percentage of equity in the capital structure at market value

Source of reference: James R. Hitchner. Financial Valuation, Application and Models, pages 208, 209 and 210, Fourth Edition, Willey.

The unlevered beta determined for the companies in the recycling sector is then substituted into the financial mix of Acquiree Companies to determine the cost of equity.

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APPENDIX 7 – Median unlevered β at 0.8282 of the Comparable Companies

Hamada Equation

$$\text{Beta }(\beta)_{unlevered} = \frac{V_E}{V_E + V_D\,(1 - tax)} \times \text{Beta }(\beta)_{levered}$$

Comparable Companies	Enter ticker quote	R^2 (Correlation^2)	Adjusted beta Note 1	RM million V_E	V_D	V_D (1- Effective tax rate)	V_E / [V_E + V_D (1 - Effective tax rate)]	$\beta_{unlevered}$	
5E RESOURCES LTD	5ERES SP Equity	0.0059	0.5166	174.7	12.7	9.61	0.947	0.4890	5E Resources Limited operates as a waste management services company. The Company offers scheduled waste management, recovery reuse, and logistic services. 5E Resources serves customers in Singapore.
TEX CYCLE TECHNOLOGY	Texc MK Equity	0.0313	1.3905	288.9	32.4	26.40	0.916	1.2741	Tex Cycle Technology Malaysia Bhd. is an investment holding company. The Company, through its subsidiaries, collects soiled rags, wipes and gloves from the electronics, engineering, automobile, oil and gas, printing, and other manufacturing industries and safely disposes of them.
JAG BHD	JAG MK Equity	0.0812	1.3012	225.3	67.7	25.93	0.897	1.1674	JAG Bhd is in the business of recycling and manufacturing activities of extraction, production and refinery of ferrous, non-ferrous and precious metals via the recovery and reclamation of industrial and electronic waste
MUDA HOLDINGS BERHAD	MUD MK Equity	0.0364	0.6171	366.1	712.3	541.37	0.403	0.2490	Muda Holdings Berhad is an investment holding company which manufactures and sells corrugated cartons. Through its subsidiaries, the Company trades wastepaper, provides warehousing and distribution, engineering and insurance agency services. Muda Holdings also manufactures and sells laminated paper, packaging materials and stationery products.
				1,056	825				
Average								0.7949	
Median								0.8282	

Note 1 - Beta as extracted from Bloomberg based on weekly measurement from 11 December 2022 to 10 December 2024

Median β unlevered of the industry	RM million V_E note 2	V_D note 2	V_D (1- tax%)	1 + V_D (1 - tax) / V_E	=	ERSB, ERMSB, TESB β levered
0.8282	10.68	2.88	2.19	1.20		0.998

Appraised by AER
Source: Bloomberg

Source: 2b. Bloomberg - 18 November 2024 1. WACC-pasted-18 Nov 2024

APPENDIX 8 - Financial and valuation metrics of Comparable Companies as at 15 November 2024

Currency in Ringgit Malaysia, MYR

Item number	Comparable Companies	Ticker	Share price on 15 Nov 2024	Market capitalisation as on 15 Nov 2024, million	Financial year end	Latest audited accounts available: Revenue, million	PAT/(LAT), million	Net assets, million	Short and long term debts, million	Cash and cash equivalent, million	Altman Z-Score	Current shares outstanding, million
1	5E RESOURCES LTD	5ERES SP Equity	1.238	174.7	31/12/2023	80	21.56	111.60	12.7	62.5	5.83	146.5
2	TEX CYCLE TECHNOLOGY	Texc MK Equity	1.040	288.9	31/12/2023	35	15.49	140.15	32.4	18.1	4.62	252.8
3	JAG BHD	JAG MK Equity	0.310	226.3	31/12/2023	203	1.17	209.66	67.7	5.6	2.37	814.8
4	MUDA HOLDINGS BERHAD	MUD MK Equity	1.200	366.1	31/12/2023	1,504	(30.78)	1,300.16	712.3	169.6	1.28	305.1
	Total			1,056		1,822	7	1,762				
	Average								206	63.9	3.5	
	Median								JAG	40.3	3.5	

By **AER**. Source: Bloomberg and annual reports as at Valuation Date

Item number	Comparable Companies	Exchange	Adjusted beta - weekly for 2 years	= (1+(Debt/Equity)x(1 - effective tax))	Unlevered beta	Net margin, %	ROE, %	Gearing (D)/(D+E)	trailing P/E	trailing P/B	trailing EV/EBITDA	P/S
1	5E RESOURCES LTD	Singapore	0.5165	1.05617	0.4890	27.0%	19.3%	10.2%	8.1	1.57	4.2	2.2
2	TEX CYCLE TECHNOLOGY	Bursa Malays	1.3905	1.09140	1.2741	44.1%	11.1%	18.8%	18.7	2.06	12.3	8.2
3	JAG BHD	Bursa Malays	1.3012	1.11455	1.1674	0.6%	0.6%	24.4%	193.4	1.06	18.0	1.1
4	MUDA HOLDINGS BERHAD	Bursa Malays	0.6171	2.47692	0.2490	-2.0%	-2.4%	35.4%	Not Meaningful	0.28	14.6	0.2
	Total											
	Minimum								8.10	0.28	4.16	0.24
	Maximum								193.38	2.08	17.96	8.23
	Average				0.7949	17.4%	7.1%	22.2%	73.4	1.2	12.3	2.9
	Median				0.8282	13.8%	5.8%	21.6%	18.7	1.3	13.5	1.6

By **AER**. Source: Bloomberg and annual reports as at Valuation Date

Source: 2b. Bloombera - 18 November 2024 0. Comps template Recyling 18 Nov 2024-pasted

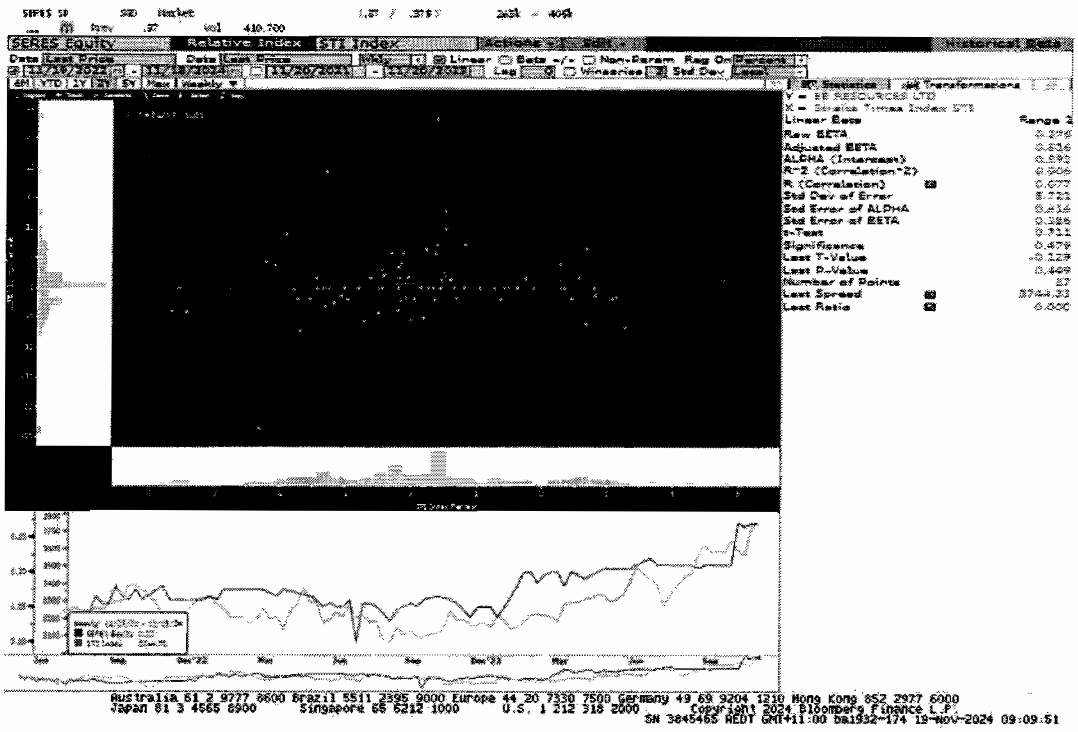
Key message:-

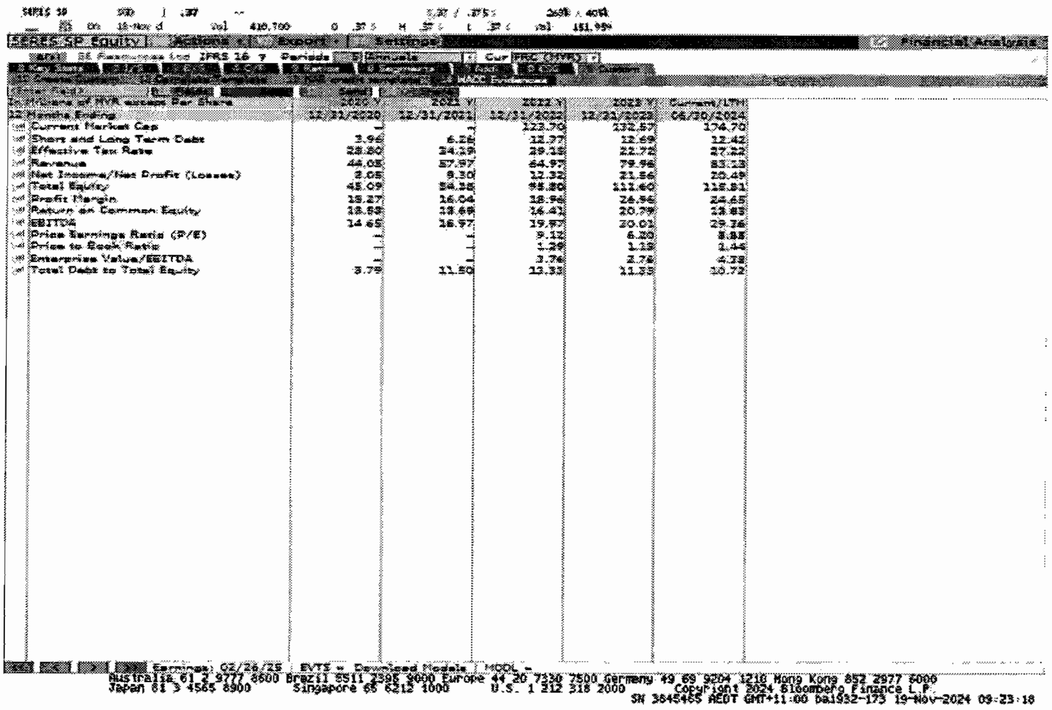
- The trailing P/E of the Comparable Companies excluding JAG Bhd, ranges from 8.1 times to 18.7 times, with an average of 13.4 times
- The trailing EV/EBITDA of the Comparable Companies ranges from 4.2 times to 18.0 times, with an average of 12.3 times and median of 13.5 times.

VALUATION REPORT *(CONT'D)*

APPENDIX 9 – Bloomberg Snapshots

5E Resources Ltd

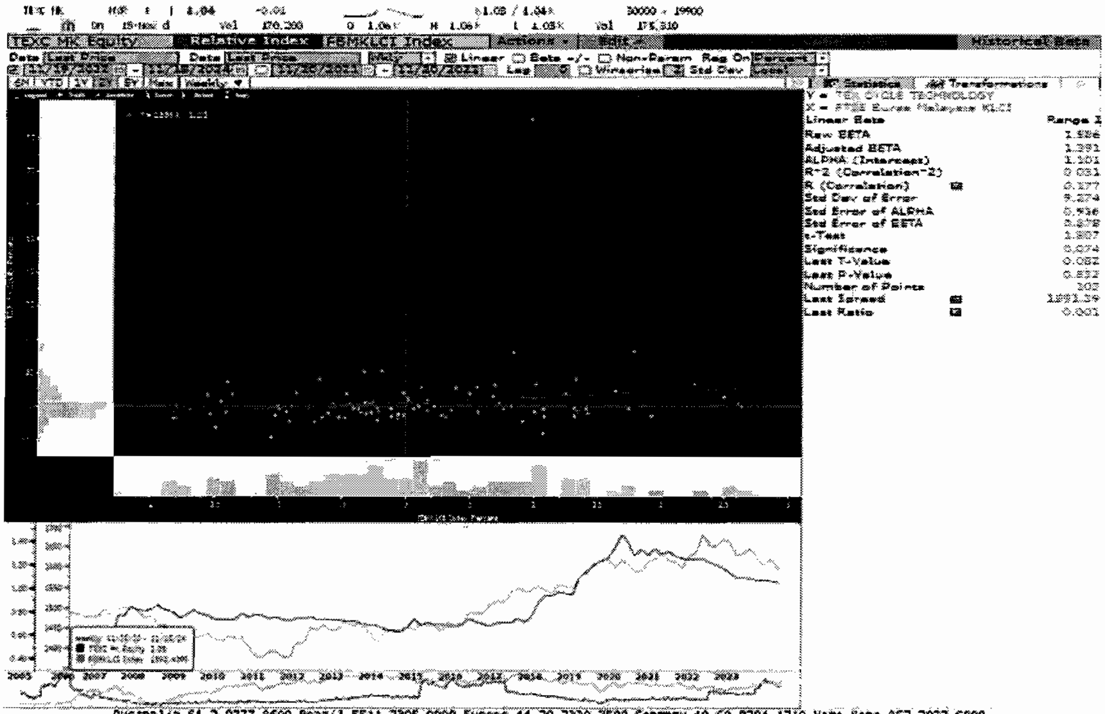




In Millions of MYR except Per Share	2020 Y	2021 Y	2022 Y	2023 Y	Current/LTM
12 Months Ending	12/31/2020	12/31/2021	12/31/2022	12/31/2023	06/30/2024
Current Market Cap	—	—	123.70	132.57	174.70
Short and Long Term Debt	3.96	6.26	12.77	12.69	12.42
Effective Tax Rate	28.80	24.29	29.15	22.72	27.22
Revenue	44.05	57.97	64.97	79.96	83.13
Net Income/Net Profit (Losses)	2.05	9.30	12.32	21.56	20.49
Total Equity	45.09	54.38	95.80	111.60	115.81
Profit Margin	15.27	16.04	18.96	26.96	24.65
Return on Common Equity	18.59	18.69	16.41	20.79	18.83
EBITDA	14.65	16.97	19.97	20.01	29.36
Price Earnings Ratio (P/E)	—	—	9.12	6.20	8.85
Price to Book Ratio	—	—	1.29	1.19	1.46
Enterprise Value/EBITDA	—	—	3.76	2.76	4.38
Total Debt to Total Equity	3.79	11.50	13.33	11.35	10.72

VALUATION REPORT *(CONT'D)*

Tex Cycle Technology Berhad



TEXC MK Equity — Financial Analysis — Tex Cycle Technology Malaysia Bhd IFRS 16 — Annuals — Cur MYR

In Millions of MYR except Per Share	2020 Y	2021 Y	2022 Y	2023 Y	Current/LTM
12 Months Ending	12/31/2020	12/31/2021	12/31/2022	12/31/2023	06/30/2024
Current Market Cap	204.90	144.08	204.90	174.41	288.87
Short and Long Term Debt	7.37	6.28	28.36	32.39	30.66
Effective Tax Rate	26.23	25.76	25.00	15.49	10.39
Revenue	23.75	28.73	33.04	35.09	33.76
Net Income/Net Profit (Losses)	3.33	6.23	9.39	15.49	17.84
Total Equity	109.31	115.54	124.80	140.15	152.24
Profit Margin	14.00	21.66	28.43	44.14	52.84
Return on Common Equity	3.11	5.57	7.59	11.84	12.78
EBITDA	8.74	11.59	16.34	24.64	26.30
Price Earnings Ratio (P/E)	31.68	23.17	11.19	11.29	14.56
Price to Book Ratio	0.97	1.25	0.85	1.26	1.78
Enterprise Value/EBITDA	10.31	11.50	6.68	7.72	12.00
Total Debt to Total Equity	6.75	5.43	22.73	23.11	20.14

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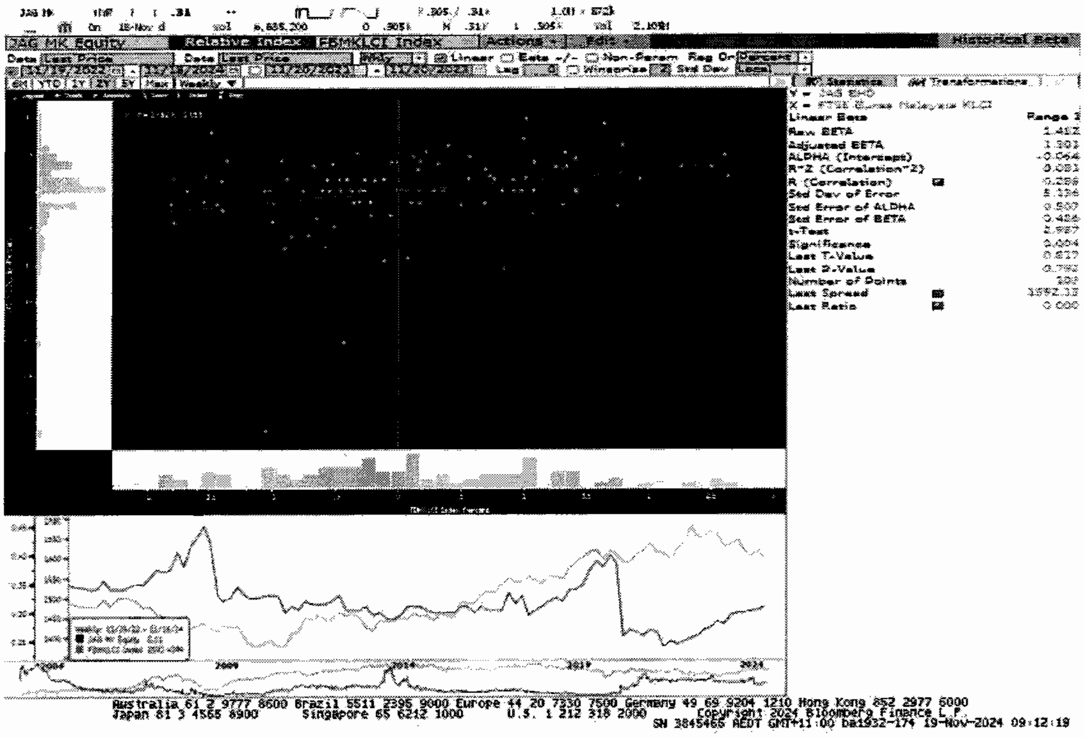
VALUATION REPORT *(CONT'D)*

JAG Berhad



JAG MK Equity — Financial Analysis

In Millions of MYR except Per Share	2020 Y	2021 Y	2022 Y	2023 Y	Current/LTM
12 Months Ending	12/31/2020	12/31/2021	12/31/2022	12/31/2023	06/30/2024
Current Market Cap	139.00	202.61	214.55	184.45	226.35
Short and Long Term Debt	27.92	29.01	21.30	67.73	52.45
Effective Tax Rate	21.41	29.88	26.42	61.72	0.00
Revenue	159.00	223.98	254.09	202.96	211.20
Net Income/Net Profit (Losses)	9.16	19.14	9.63	1.17	3.79
Total Equity	176.95	220.36	212.93	209.66	214.46
Profit Margin	5.76	8.55	3.79	0.58	1.80
Return on Common Equity	5.98	9.64	4.44	0.55	1.77
EBITDA	20.23	35.24	24.15	16.06	21.88
Price Earnings Ratio (P/E)	15.43	10.57	22.19	157.89	60.35
Price to Book Ratio	0.83	0.96	1.04	0.90	1.06
Enterprise Value/EBITDA	7.15	5.44	8.57	14.51	11.92
Total Debt to Total Equity	15.78	13.17	10.00	32.30	24.46

Earnings: 11/27/24 | EVTS = Download Models | MODL =
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2024 Bloomberg Finance L.P.
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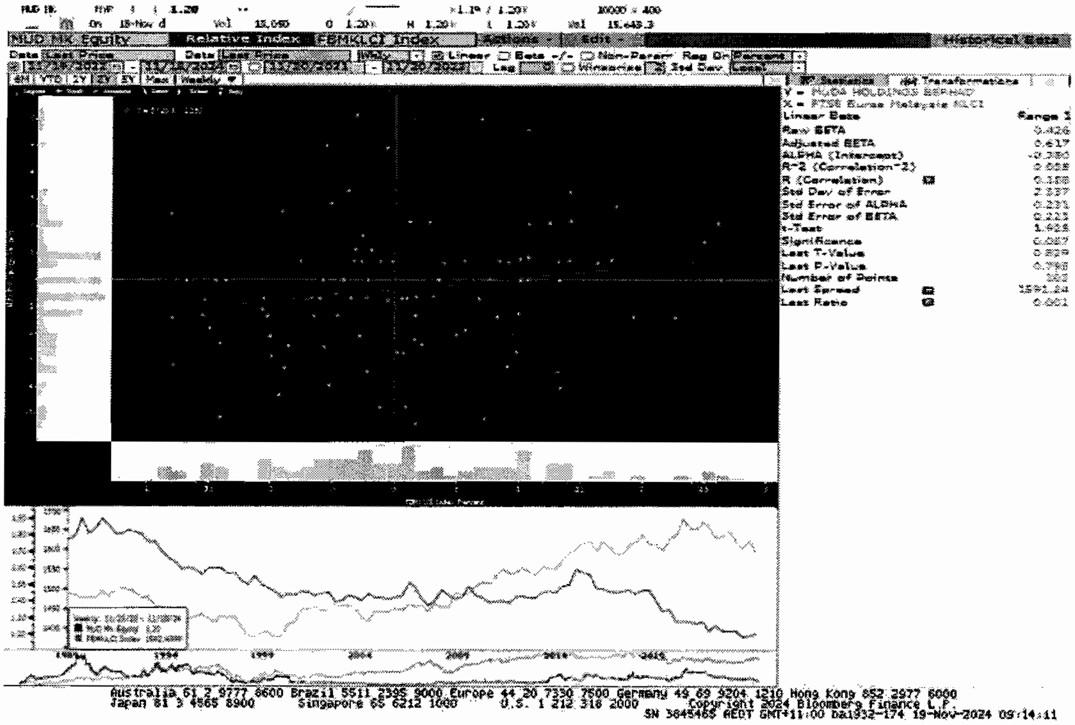
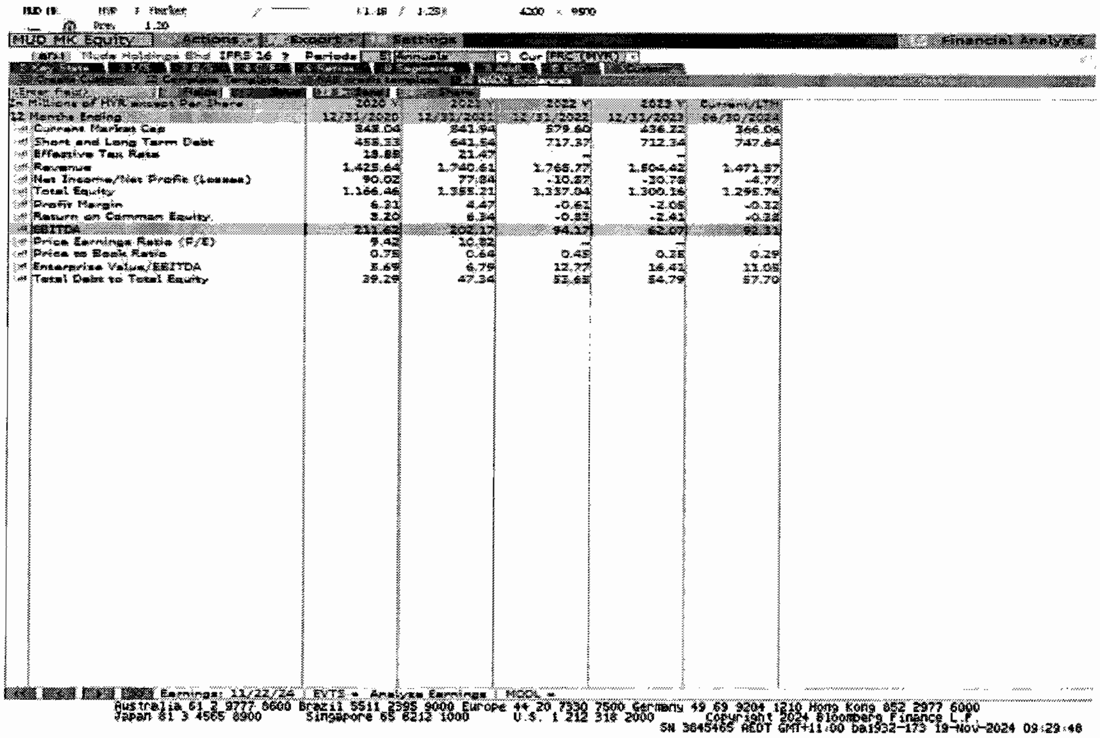
VALUATION REPORT *(CONT'D)*

Muda Holdings Berhad





MUD MK Equity — Financial Analysis — Muda Holdings Bhd IFRS 16 — Periods 5 Annuals — Cur MYR

In Millions of MYR except Per Share	2020 Y	2021 Y	2022 Y	2023 Y	Current/LTM
12 Months Ending	12/31/2020	12/31/2021	12/31/2022	12/31/2023	06/30/2024
Current Market Cap	348.04	541.94	579.60	436.22	366.06
Short and Long Term Debt	458.33	641.54	717.37	712.34	747.64
Effective Tax Rate	18.88	21.47	—	—	
Revenue	1,425.64	1,740.61	1,768.77	1,504.42	1,471.57
Net Income/Net Profit (Losses)	90.02	77.84	-10.87	-30.78	-4.77
Total Equity	1,166.46	1,355.21	1,337.04	1,300.16	1,295.76
Profit Margin	6.31	4.47	-0.61	-2.05	-0.32
Return on Common Equity	8.20	6.34	-0.83	-2.41	-0.32
EBITDA	211.62	202.17	94.17	62.07	92.31
Price Earnings Ratio (P/E)	9.42	10.82	—	—	
Price to Book Ratio	0.75	0.64	0.45	0.35	0.29
Enterprise Value/EBITDA	5.69	6.79	12.77	16.41	11.05
Total Debt to Total Equity	39.29	47.34	53.65	54.79	57.70

Earnings: 11/22/24

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2024 Bloomberg Finance L.P.
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APPENDIX 10 - Site pictures

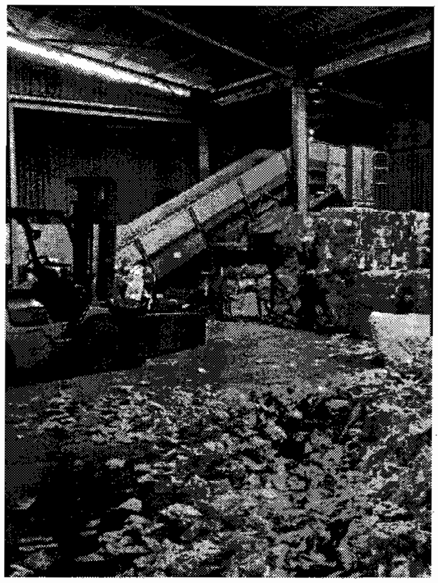
- **ERSB**

(i) Landlord: Ng Ah Eng, Ng Foong Thai & Chew Yin Ling
Address: Lot 3772, Jalan 1D, Kampung Baru Subang, Seksyen U6, 40150 Shah Alam (Subang Branch)

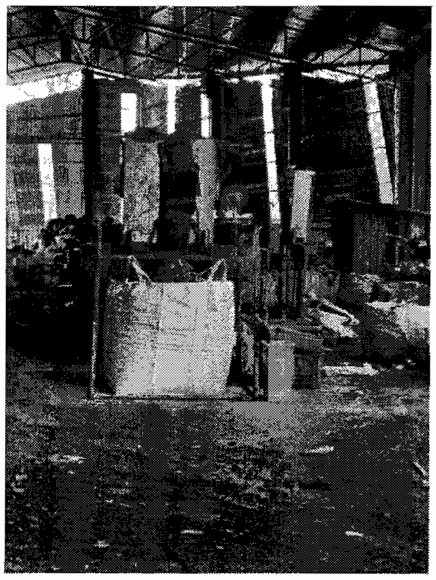
(ii) Landlord: Lee Chai Tiam
Address: PT 50132, Lot 6526, Gudang Jalan Sungai Puloh Batu 5 ½, Jalan Kapar, 41400 Klang Selangor ("Kapar Branch")

(iii) Factory: Lot No. 6, Jalan BP 4/1, Bandar Bukit Puchong, 47100 Puchong, Selangor ("Puchong Branch")

Compact Plastic for recycling



Plastic recycling



Aluminium cans crushed

VALUATION REPORT *(CONT'D)*

Raw material

Semi-final woodchip

Final woodchip for burning

Woodchip ready for delivery

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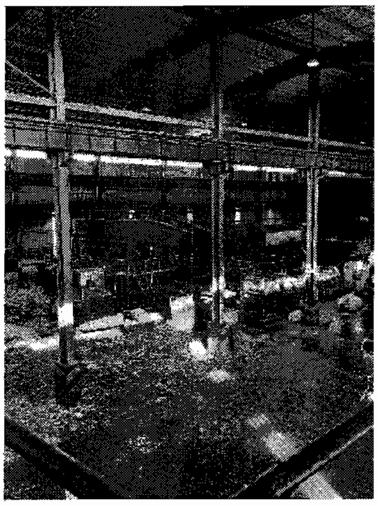
- **ERMSB**

Landlord: Jazz Auto Sdn Bhd

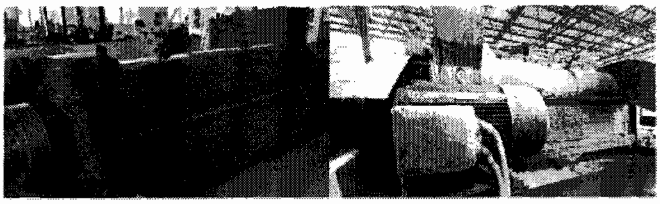
Address: Lot 4260 & 4261, Jalan Kesidang. 5, Kawasan Perindustrian Sungai Choh, 48000 Rawang, Selangor.



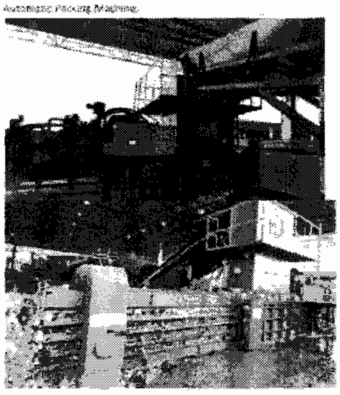
Machinery and site owned by Company B

Washing Line Facility

High Speed Pulp Separator.

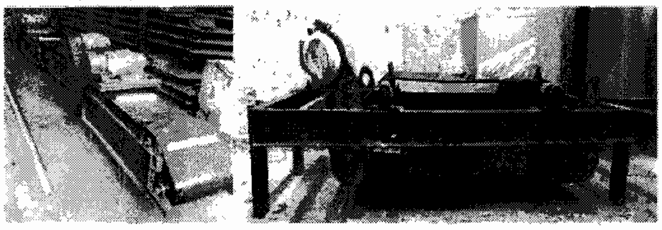


Automatic Packing Machine.



Ragger Waste Facility

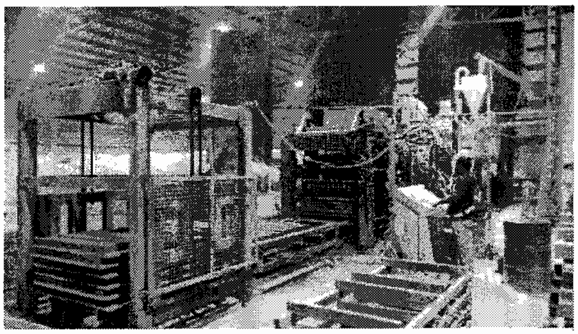
Magnet Separator.

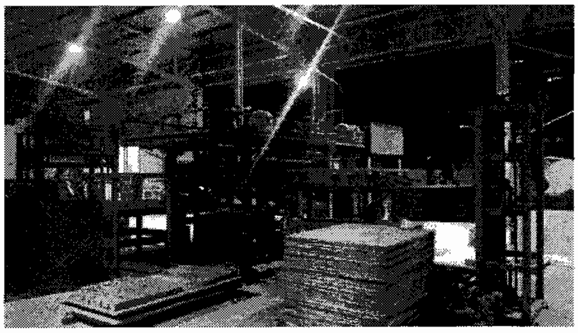


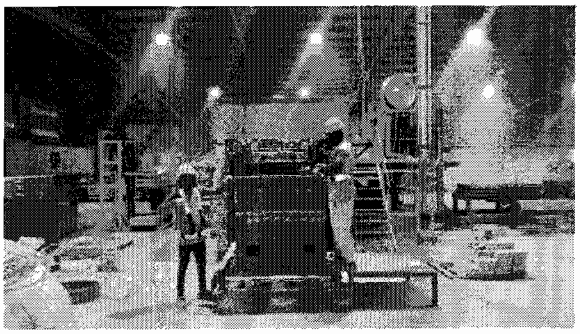
- **TESB**

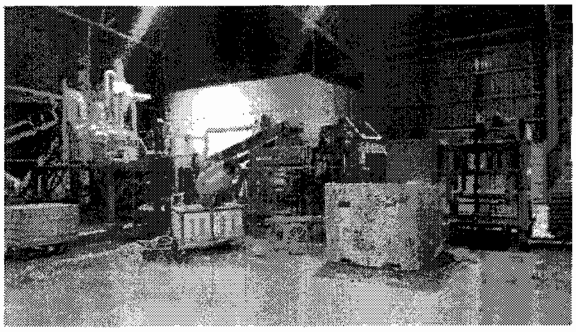
Address: No. 7, Persiaran Platinum, Kawasan Perindustrian Bandar Mahkota, 42700 Banting, Selangor.

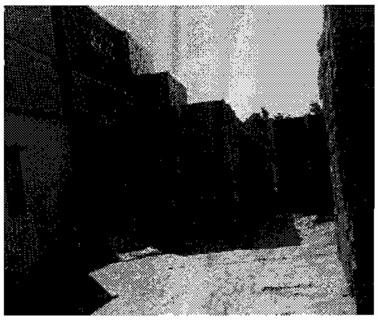
Recycling coal ash into bricks

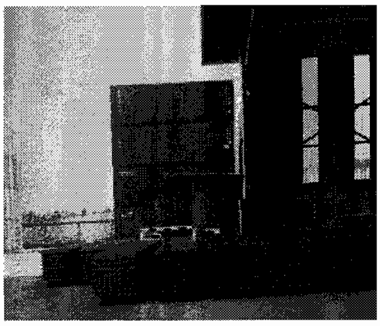


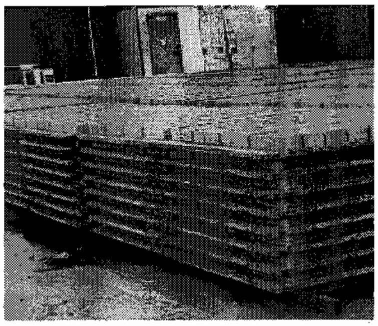












VALUATION REPORT *(CONT'D)*

APPENDIX 11A – Provisional goodwill calculation (RM64,016,478) for acquiring 100% of ERSB for RM68,000,000 (RM23,807,480 in cash and RM44,192,520 in MESB shares at RM0.415 per share) versus ERSB's audited net assets of RM2,810,106 on 30 April 2024

	Carrying value (Fair value) as at acquisition date
Property, plant and equipment	562,989
Right of use assets	1,119,970
Inventories	98,953
Trade receivables	1,984,551
Other receivables, deposits and prepayments	292,679
Amount owing by Lotus Essential Sdn Bhd	328,927
Amount owing by related parties	18,103
Fixed deposit with a licensed bank	1,051
Cash and bank balances	3,112,340
Non-current	
Lease liabilities	(896,964)
Hire purchase payables	(107,606)
Deferred tax liabilities	(46,597)
Current liabilities	
Trade payables	(134,350)
Other payables and accruals	(689,770)
Amount owing to a director	(906)
Amount owing to Lotus Essential Sdn Bhd	(1,165)
Amount owing to related parties	(2,098,582)
Lease liabilities	(258,622)
Hire purchase payables	(67,367)
Current tax liabilities	(407,528)
Net assets	**2,810,106**
Equity	
Equity	**1,300,000**
Share capital	1,510,106
	2,810,106
Purchase price allocation computation	
Fair value of net assets acquired	2,810,106
Provisional goodwill	**64,016,478**
Fair value of purchase consideration transferred by LCB to Vendor (see Note 1 below)	66,826,584
Appraised by AER	

Note 1

Fair value of purchase consideration transferred by LCB to Vendor

			Discount factor 18 months						
Cash	3.4270%	=	0.9507	x	23,807,480	=	22,634,064
	Number of new LCB shares		Issue price				
Fair value of shares	106,488,000	x	0.4150	=	44,192,520	=	44,192,520
							66,826,584

Source: 8. PPA preliminary report