

LAND & GENERAL BERHAD (“L&G” OR THE “COMPANY”)

PROPOSED SHAREHOLDERS’ RATIFICATION FOR THE PROVISION OF FINANCIAL ASSISTANCE AND PROPOSED ADDITIONAL PROVISION OF FINANCIAL ASSISTANCE TO ELITE FORWARD SDN BHD, A 50.01%-OWNED SUBSIDIARY OF LAND & GENERAL BERHAD, WHICH IS HELD THROUGH ITS WHOLLY-OWNED SUBSIDIARY, SYNERGY SCORE SDN BHD

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1. INTRODUCTION

The Company had on 3 November 2009 announced that on even date, Synergy Score Sdn Bhd (“**SSSB**”), a wholly-owned subsidiary of L&G, had entered into a Joint Venture cum Shareholder’s Agreement (“**JV & SH Agreement**”) with Forward Splendour Sdn Bhd (“**FSSB**”), a wholly-owned subsidiary of Malaysia Land Properties Sdn Bhd (“**MLP**”) and a related company of Mayland Parkview Sdn Bhd (“**Mayland Parkview**”), to govern the joint venture company, Elite Forward Sdn Bhd (“**EFSB**”), at the ratio of 50:50, and together to participate in the development of the freehold land measuring 10,546.774 square meters held under title No. Lot 274, Jenis Hakmilik: GM105, Mukim Ampang, Daerah Kuala Lumpur (“**Land**”), into commercial and condominium serviced residence development (“**Project**”) (collectively referred hereinafter as the “**Joint Venture**”).

The Joint Venture (together with the acquisition of the Land) was approved by the shareholders of L&G at the Extraordinary General Meeting (“**EGM**”) convened on 3 February 2010. On the same date, to facilitate the Joint Venture, the shareholders of L&G also approved the provision of financial assistance by L&G to EFSB of not more than RM47.5 million by way of shareholders’ loan (including the shareholders’ loan of RM4.0 million for the deposit of the Land that was acquired on 5 February 2010) and/or corporate guarantee(s). Details of the Joint Venture and such earlier provision of financial assistance to EFSB are set out in the circular to the shareholders of L&G dated 15 January 2010.

Subsequently, on 30 September 2011, the Company announced that SSSB had on even date acquired 75 ordinary shares of RM1 each in EFSB, representing 0.01% equity interest in EFSB from FSSB (“**Additional Acquisition**”). As a result of the Additional Acquisition, EFSB became a 50.01%-owned subsidiary of L&G.

As L&G has provided more than RM47.5 million worth of financial assistance to EFSB, the Company wishes to announce that it proposes to seek its shareholders’ ratification for the provision of additional financial assistance by L&G to EFSB of an aggregate amount of approximately RM16.45 million, for the purposes of undertaking the Project (“**Proposed Ratification**”). The Company also proposes to undertake the proposed additional provision of financial assistance to EFSB in the form of shareholders’ loan and/or corporate guarantees in respect of external borrowings to be secured by EFSB of up to RM43.56 million, for the purposes of undertaking the Project (“**Proposed Additional Provision of Financial Assistance**”) (collectively referred hereinafter as the “**Proposals**”).

Further details on the Proposals are set out in the following sections.

2. DETAILS OF THE PROPOSALS

2.1 PROPOSED RATIFICATION

As at the date of this announcement, L&G has provided financial assistance of approximately RM11.70 million in the form of cash advances to EFSB. L&G, together with MLP (a holding company of both FSSB and Mayland Parkview) have also provided corporate guarantees to a financial institution which has extended credit facilities to EFSB for a total amount of RM104.50 million, for the purposes of undertaking the Project (including the funding of the Land). Proportionate to the respective shareholdings of L&G and Mayland Parkview (collectively referred hereinafter as the “**JV Shareholders**”), L&G has provided financial assistance to EFSB by way of corporate guarantees of RM52.25 million.

As L&G has provided financial assistance to EFSB by way of cash advances and corporate guarantees to a financial institution which has extended credit facilities to EFSB to undertake the Project for an aggregate amount of approximately RM63.95 million, which have exceeded the earlier approved financial assistance of not more than RM47.5 million, the approval from the shareholders of L&G on the Proposed Ratification is required.

2.2 PROPOSED ADDITIONAL PROVISION OF FINANCIAL ASSISTANCE

In addition to the Proposed Ratification, the Company is also proposing to seek the approval from its shareholders for the additional provision of financial assistance by L&G to EFSB in the form of shareholders' loan and/or corporate guarantees in respect of external borrowings to be secured by EFSB of up to RM43.56 million (being 50.01% of the additional funding requirements of approximately RM87.10 million for the purpose of developing the Land into two (2) blocks of 42-storey service apartments). The Proposed Additional Provision of Financial Assistance by L&G in the form of additional shareholders' loan to EFSB of up to RM23.56 million will be funded through L&G Group's internally-generated funds.

3. RATIONALE FOR THE PROPOSALS AND PROSPECTS

As stated in its circular to the shareholders of L&G dated 15 January 2010, the Joint Venture is to provide L&G with an opportunity to embark into the development of high-end serviced apartments by tapping onto MLP's track record and expertise in the high rise serviced apartments sector. In addition, the Joint Venture will also be able to leverage on MLP's overseas contacts in China, Hong Kong, Japan, Singapore and Australia, which will ensure the successful marketability of the Project. The Joint Venture will benefit L&G Group with the opportunity to carry on its core business of property development to enhance its future income stream, in particular since the Project is strategically located in the prime area in Kuala Lumpur.

When the Company sought its shareholders' approval for the Joint Venture at the EGM convened on 3 February 2010, only preliminary conceptual designs on the Project were conducted with estimated gross development value and gross development cost (“**GDC**”) of approximately RM380.0 million and RM250.0 million, respectively. However, as the plans of the development of the Land have been defined, with the launching of the two (2) blocks of the service apartments currently erected on the Land in April 2011 and October 2011, respectively, the estimated GDC of the Project is revised to approximately RM460.0 million (as opposed to the earlier RM250.0 million), which is also expected to yield a higher gross profit of approximately RM240.0 million (as opposed to the earlier RM130.0 million). Hence, the Proposals are necessary to assist EFSB to raise adequate project financing for the Project vis-à-vis the Joint Venture, as well as to continue to support the development of the Project.

The Project is strategically located in the prime Ampang area in Kuala Lumpur. As such, the Joint Venture to jointly develop the Land into high-end serviced apartments will benefit L&G Group with the opportunity to carry on its core business of property development to enhance its future income stream.

4. RISK FACTORS

As set out in its circular to shareholders of L&G dated 15 January 2010, the key risk factors relating to the Joint Venture (which may not be exhaustive) are as follows:

- joint venture risks, which includes those associated with the assimilation of new operations and personnel, the diversion of financial management resources from existing operations, the inability to successfully integrate the Joint Venture with L&G Group's current business and the assurance that the anticipated benefits from the Joint Venture will be realised;
- adverse developments in political, economic and regulatory conditions in Malaysia;
- business and competition risks inherent in the property development industry, which L&G Group is already exposed to;
- delays in commencement and completion of the Project; and
- uncertainty and fluctuation in transportation costs and the cost of building materials.

Nonetheless, since the launching of the two (2) blocks of service apartments in April 2011 and October 2011, respectively, the Project (through the Joint Venture) has garnered positive response from many investors, owner occupants and foreigners with an overall 46% take-up rate as at the date of this announcement. In fact, the value of the total units taken up as at the date of this announcement of approximately RM427.8 million is close to break-even the Project, as the GDC of the Project is estimated to be RM460.0 million (including the Land cost).

On the other hand, the Proposals are not expected to result in any other potential risks, save for the higher financing risks as a result of higher credit facilities to be extended to EFSB to undertake the Project.

5. EFFECTS OF THE PROPOSALS

5.1 Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the share capital and substantial shareholders' shareholdings of L&G as the Proposals do not involve the issuance of any new L&G shares.

5.2 Net assets ("NA") and gearing

The Proposals are not expected to have any material effect on the NA and gearing of the L&G Group for the financial year ending 31 March 2012.

However, as EFSB has become a 50.01%-owned subsidiary of the Company on 30 September 2011 pursuant to the Additional Acquisition, the pro forma effects of the Additional Acquisition on the consolidated NA and gearing of the Company, based on the audited consolidated statements of financial position of L&G and EFSB as at 31 March 2011 on the assumption that the Additional Acquisition had been effected on 31 March 2011 are set out as follows:

	Audited as at 31 March 2011 (RM'000)	Pro forma Upon completion of the Additional Acquisition (RM'000)
Share capital	119,661	119,661
Share premium	17,036	17,036
Retained earnings	97,141	97,141
Other reserves	22,815	22,815
Shareholders' equity / NA	<u>256,653</u>	<u>256,653</u>
Minority interest	-	877
Total equity	<u>256,653</u>	<u>257,530</u>
NA per Share (RM)	0.43	0.43
Total borrowings (RM'000)	330	42,265
Gearing (times)	*	0.16

Note:

* *Negligible.*

5.3 Earnings and earnings per share ("EPS")

The Proposals are not expected to have any material effect on the earnings and EPS of the L&G Group for the financial year ending 31 March 2012. However, the Joint Venture, which will continue to be supported by the JV Shareholders vis-à-vis the Proposals, is expected to contribute positively to the earnings and EPS of the L&G Group, as a result of the expected sales to be derived from the Project.

6. INTER-CONDITIONALITY

The Proposed Additional Provision of Financial Assistance is conditional upon the Proposed Ratification but not vice versa. However, the Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

7. APPROVALS REQUIRED

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

- (a) the shareholders of L&G at the forthcoming EGM to be convened; and
- (b) any other relevant authorities, if required.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Mayland Parkview is a major shareholder of L&G, holding 16.94% equity interest in L&G as at the date of this announcement. Mayland Parkview is a wholly-owned subsidiary of MLP, which in turn is the holding company of FSSB, the joint venture partner of SSSB in EFSB. Hence, Mayland Parkview is deemed interested in the Proposals. Accordingly, Mayland Parkview will abstain from voting and will also undertake to ensure that persons connected to Mayland Parkview will abstain from voting on the resolutions to be tabled at the EGM of L&G to be convened, in relation to the Proposals.

Mr. Low Gay Teck, the Managing Director of L&G, is a nominee director of Mayland Parkview on the Board of Directors of L&G (“**Board**”). Mr. Low Gay Teck is also a director of SSSB, Mayland Parkview and MLP.

Dato’ Muhammad Khairun Aseh and Mr. Hoong Cheong Thard, the Non-Independent Non-Executive Directors of L&G are also the nominee directors of Mayland Parkview on the Board.

Ms. Wing Kwan Winnie Chiu, a Non-Independent Non-Executive Director of L&G is nominated to the Board by Mayland Parkview. Ms. Wing Kwan Winnie Chiu is also a director of Mayland Parkview and MLP.

The direct and indirect shareholdings of the interested directors in respect of the Proposals in L&G as at the date of this announcement are as follows:

Director	Direct		Indirect	
	No. of L&G shares	%	No. of L&G shares	%
Low Gay Teck	-	0.00	-	0.00
Dato’ Muhammad Khairun Aseh	-	0.00	-	0.00
Wing Kwan Winnie Chiu	-	0.00	⁽¹⁾ 101,380,000	16.94
Hoong Cheong Thard	-	0.00	-	0.00

Note:

(1) Deemed interested through Mayland Parkview pursuant to Section 6A of the Companies Act, 1965.

As such, Mr. Low Gay Teck, Dato’ Muhammad Khairun Aseh, Ms. Wing Kwan Winnie Chiu and Mr. Hoong Cheong Thard (collectively referred hereinafter as the “**Interested Directors**”) are deemed interested in the Proposals. Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting pertaining to the Proposals. The Interested Directors will abstain from voting and will undertake to ensure that persons connected to them will also abstain from voting on the resolutions to be tabled at the EGM of L&G to be convened, in relation to the Proposals.

Save as disclosed above, none of the other Directors, major shareholders of L&G and/or persons connected to them, as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, have any interest, either direct or indirect, in the Proposals.

9. OTHER TRANSACTIONS WITH THE RELATED PARTIES

Save for the Proposals, Joint Venture and the acquisition of ten (10) parcels of land improved with 27-hole golf course with a clubhouse including other supporting facilities, five (5) parcels of vacant residential development land, 44 parcels of vacant bungalow plots, a single-storey bungalow house and a parcel of industrial plot designated for Tenaga Nasional Berhad (TNB) substation located within the Tuanku Jaafar Golf and Country Resort, 71450 Sungai Gadut, Seremban, Negeri Sembilan Darul Khusus by Bright Term Sdn Bhd, a wholly-owned subsidiary of L&G, from Seremban Golf Resort Berhad (Receiver and Managers appointed) (In liquidation) for a total cash consideration of RM25,000,000, which was approved by the shareholders of L&G and completed in July 2011, there has been no other transaction entered into between L&G and its Group of companies, with MLP and its group of companies, as well as the Interested Directors during the twelve (12) months preceding the date of this announcement.

10. INDEPENDENT ADVICE

In view of the interests of Mayland Parkview as the major shareholder of L&G and the Interested Directors as set out in Section 8 above, the Proposals are deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, L&G has appointed OSK Investment Bank Berhad to act as the Independent Adviser to advise the non-interested shareholders of L&G on the Proposals.

11. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors who have abstained from all deliberations on the Proposals), having considered all aspects of the Proposals and the prospects of the Project, is of the opinion that the Proposals are in the best interest of the Company, fair, reasonable and on normal commercial terms, and are not detrimental to the interests of the non-interested shareholders of L&G.

12. AUDIT COMMITTEE'S RECOMMENDATION

The audit committee of L&G (save for Mr. Hoong Cheong Thard who has abstained from all deliberations on the Proposals), having considered all aspects of the Proposals and the prospects of the Project, is of the opinion that the Proposals are in the best interest of the Company, fair, reasonable and on normal commercial terms, and are not detrimental to the interests of the non-interested shareholders of L&G.

13. HIGHEST PERCENTAGE RATIO PURSUANT TO PARAGRAPH 10.02(G) OF THE LISTING REQUIREMENTS

The highest percentage ratio pursuant to Paragraph 10.02(g) of the Listing Requirements in relation to the Proposals is approximately 23.38%.

14. DOCUMENTS FOR INSPECTION

The JV & SH Agreement and the share sale agreement dated 30 September 2011 entered into between SSSB and FSSB pursuant to the Additional Acquisition will be made available for inspection at the registered office of L&G at Level 5, Block D, Sri Damansara Business Park, Persiaran Industri, Bandar Sri Damansara, 52200 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) from the date of this announcement up to and including the date of the forthcoming EGM to be convened.

This announcement is dated 21 February 2012