



Luminor Financial Holdings Limited

Shareholder Update, 28 September 2021

INTRODUCTION

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BUSINESS UPDATE – PROPERTY PROPERTY DEVELOPMENT

Overall Strategy The bulk of the properties have been sold, with only a few remaining units left in inventory. In light of the continued challenging market in China, the Group's intention is to sell-down the inventory and transition into the Financial Solutions Business.

Completed Developments

Due to the COVID-19 pandemic, we have stopped all promotional activities. The Group sold 1 residential unit and 13 parking lots of the Singapore Garden project during 1H2021. There were no sales for University Town. The hotpot tenant was lost due to the lockdown in March 2020 but we managed to retain the supermarket with a lower rental rate. Most of the tenants in Singapore Garden have closed down with only 5 tenants left (out of the 23 units available for rent). The situation in Fuling, China remains depressed.

Royal Waterhouse

The Group is still in negotiations with the Fuling government regarding the repossession value of the 25,560sqm piece of land held in Fuling (Royal Waterhouse). The carrying value of the land in LFHL's books is RMB8,412,927 (approximately RMB329/sqm). We last received an offer from the government. However, we are of the view that the value should be higher and recently obtained a valuation of RMB2,707.40/sqm. The Group will continue negotiations and enter into arbitration (if necessary) with the authorities to obtain a fair price.

BUSINESS UPDATE – FINANCIAL SERVICES

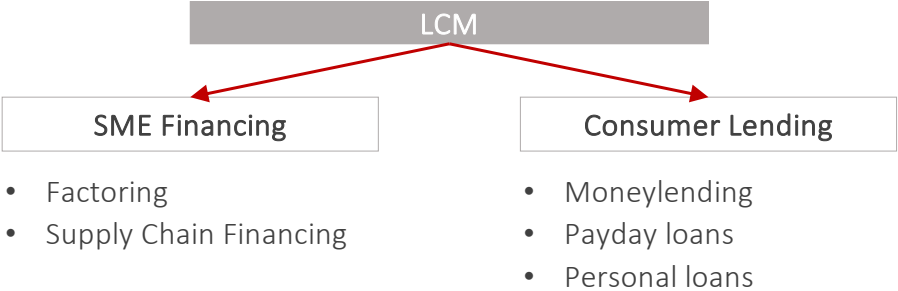
FINANCIAL SOLUTIONS BUSINESS

Overall Strategy

The Group’s intention is to fully transform into the Financial Solutions Business (FSB). The Group has taken up a controlling stake of 51% in Luminor Capital (Malaysia) Sdn Bhd (LCM), a Non-Bank Financial Institution (NBFI). Presently, the Group’s priority is to build and expand its business in Malaysia. In the long term, our strategy is for growth by acquisition in Singapore, Hong Kong, Australia (consumer short term loan market), Indonesia and Vietnam markets (similar to LCMB/Malaysia FSB model) so as to build NBFIs in the regional markets.

Luminor Capital (Malaysia) Group Update

LCM’s product offering can be broadly categorised into two categories: SME financing and Consumer lending. Thus far, the bulk of revenue is from the factoring business as well as the moneylending business. Management is in the process of developing more products to drive further revenue growth.

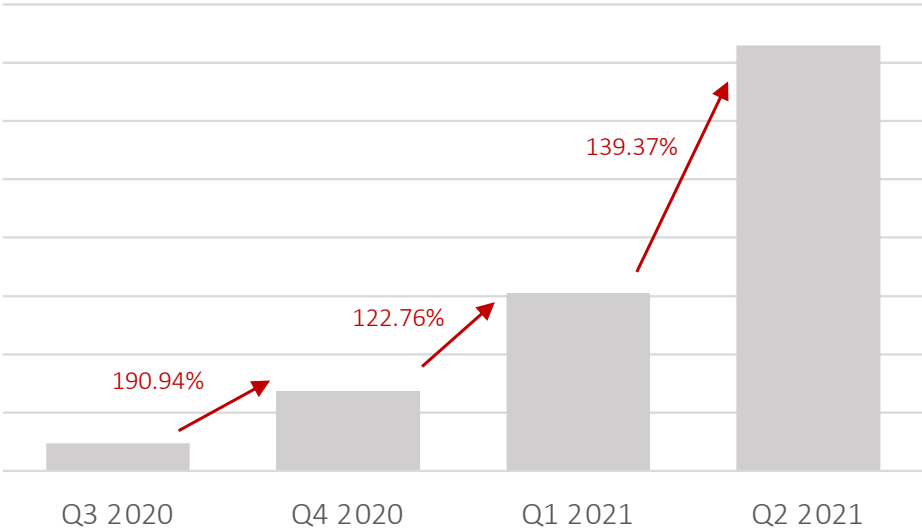


BUSINESS UPDATE – FINANCIAL SERVICES

SME FINANCING

Disbursements in next 6 months LCM Group Staff Strength
Significant increase expected 30

Table 1: SAPM Revenue Growth



Factoring – El Nuwr Capital¹

Since July 2020, SA Puncak Management Sdn Bhd (SAPM) has seen a steady growth in revenue, with quarter-on-quarter growth of >100% for the last 4 quarters. Based on existing deals signed, a significant increase in disbursements is expected within the next 6 months.

Impact of COVID-19

Overall, save for 1 case, there has been no delays past the credit period assigned. With the latest movement control order (MCO) measures implemented by the Malaysian government, there are no apparent material impact on certain clients in industries such as food, cleaning and security. However, as there were specific restrictions on manufacturing, works and construction-related industries, disbursement obligations to those clients are expected to materialise when MCO restrictions are lifted or when new SOPs are announced for manufacturing and construction industry (and their related supply chains).

¹ <https://www.elnuwr.com/>

BUSINESS UPDATE – FINANCIAL SERVICES

CONSUMER LENDING

Moneylending - Luminor Credit Sdn Bhd

Luminor Credit Sdn Bhd (LCSB) was acquired by LCM in 2019 for a consideration of RM400,000 in exchange for 80% equity. Since then, LCM has successfully built the business, and generated gains, such that we have positive retained earnings as at 30 June 2021, instead of the accumulated losses as at December 2019. LCM has acquired the remaining 20% stake at RM100,000, the same valuation as in 2019. For more information, please refer to the Company's announcement on 8 September 2021.

Products In the Pipeline

- **Car Insurance Credit (CIC)** Provide car insurance financing for mass consumer under the brand name Automofi¹
- **Credit to Commerce (C2C)** Offer unsecured consumer financing in collaboration with a State-Owned Enterprise (SOE), targeting employees of SOE with repayment through salary deduction
- **Payday Loan** Offer unsecured consumer financing in collaboration with a fintech company with a 9-year concession awarded by Construction Industry Development Board (CIDB) to issue construction workers a Construction Personnel Registration Card that act as both an ID and payment card

¹ <http://www.automofi.com.my>

FUNDRAISING STRATEGY

RAISING EQUITY & DEBT CAPITAL

Overview

Capital is the “inventory” for the financial solutions business. As such, building up a capital base is extremely important and directly related to loan book growth for the financial solutions business.

Banks generally generate profits by borrowing money from depositors and compensating them with a certain interest rate, and lending the money out to borrower at a higher interest rate, and profiting off the interest rate spread. However, they are subject to intense licensing regulations by the central bank, for example, capital adequacy, lending limits etc and international Basel III requirements

As a Non-Bank Financial Institution (NBFI), LFHL does not come under the purview of the central bank and is not constrained by such regulations. However, as it is unable to take in saving deposits, there is a need to pursue for alternative sources of capital.



FUNDRAISING STRATEGY

RAISING EQUITY CAPITAL

Overall Strategy LFHL's strategy to raise additional equity capital via the capital market to expand its shareholder base to transform and build up its financial solutions business from existing shareholders and attract new shareholders.

Proposed Actions

- 1. Distribution-in-Specie (DIS)** Presently, LFHL's major shareholder, GRP Limited (GRP) owns approximately 83.17% of LFHL. Any attempt to raise funding from the capital market would be curtailed by the large holding by GRP. GRP Limited has proposed the DIS of shares of LFHL to all its shareholders and further expand LFHL's shareholder base.
- 2. Capital Raise through Expansion of Shares** Interest in smaller companies in the Singapore capital market is rather muted. As investors favour the large caps, such as REITs and GLCs, it is challenging for small cap companies to raise capital on desired valuation. LFHL could raise initial capital via rights issues where all shareholders are given equal opportunity to subscribe. When conditions are more suitable, LFHL could expand its capital by effecting placement of new shares and target also for strategic investors.
- 3. Corporate Debt Issuance** At an appropriate time, LFHL could also issue corporate debt to replace certain LCM's debt strategy to reduce costs. As the financial solutions business is largely in Malaysia, all its lending is in Malaysian Ringgit. LFHL's corporate debt strategy must take into account hedging costs.

FUNDRAISING STRATEGY

RAISING DEBT CAPITAL

Overall Strategy

The debt strategy is to use various debt instruments and connect multiple “pipes” to fund LFHL’s fast-growing factoring business. As LFHL takes the time to position itself to execute the equity market strategy, it is able to begin carrying out the debt strategy almost immediately.

Proposed “Pipes”

	Target Market	Description
1	Financial Institutions	LCM has begun approaching banks to obtain banking facilities to fund its factoring business. The tenure of such facilities tend to range from 3 to 5 years.
2	High Net Worth (HNW) & Ultra High Net Worth Individuals (UHNW)	This involves working with fund managers to raise dedicated fixed income funds targeting HNW and UHNW individuals. LCM has reached out to Fund Managers to look into the possibility of raising funds for its factoring business . The tenure of such facilities tend to range from 2 to 3 years.
3	Institutional Investors	LCM’s advisory team to look into the possibility of designing Asset-Backed Securities (ABS) (eg. rated or unrated sukuks/bonds) based on specific sectors to be bundled into a sizeable amount to reach out to institutional investors i.e. insurance funds, pension funds, and other institutional funds in Malaysia. The tenure of such facilities tend to range from 2 to 3 years.
4	Retail Investors	In accordance with the Interest Scheme Act 2016 in Malaysia, LCM to set-up internal working committee to look into the possibility of designing, adopting, operating, and administrating the scheme as a debt instrument for its factoring business. Such funding targeting retail investor “saving account pocket” is usually short-term in 3, 6 or 12 months blocks.