



LION ASIAPAC LIMITED

(Co. Reg. No. 196800586R)

(Incorporated in the Republic of Singapore)

Relocation Exercise by Compact Energy Sdn Bhd

1. Introduction

- 1.1 Compact Energy Sdn Bhd ("**Compact**"), a wholly-owned subsidiary of the Company, currently has two (2) quicklime production plants located in Banting, Selangor, with an aggregate maximum production capacity of 432,000 MT per annum.
- 1.2 Compact's quicklime production volume has been falling, which is mainly attributable to a substantial drop in demand from customers, as well as uncompetitive pricing which is largely resultant from the high transportation costs incurred in transporting limestone from suppliers in Ipoh to the plants in Banting.
- 1.3 Since October 2015, one plant has ceased production, whilst all production activity has been undertaken by the other plant ("**Operating Plant**").
- 1.4 As such, the Company intends to relocate the idle plant ("**Gopeng Plant**") to the Land (as defined below), with the view to achieve cost savings on transportation of limestone as the Land is located closer to its limestone suppliers.

2. Acquisition of the Land

- 2.1 On 20 October 2017, Compact entered into a conditional sale and purchase agreement ("**SPA**") with Teh Khoon Chuan Trading Co Sdn Bhd (the "**Vendor**") to acquire a parcel of land (the "**Land**") for a cash consideration of RM2.2 million (approximately S\$0.7 million) ("**Land Acquisition**").
- 2.2 The Land, located in Gopeng, Perak, with a land area of 2.552 hectares, is a vacant freehold industrial land held under Geran 124803 Lot 45151 in the Mukim & Daerah Kampar, Negeri Perak Darul Ridzuan.
- 2.3 Under the terms of the SPA, a deposit equivalent to 10% of the purchase consideration shall be paid by Compact to the Vendor's solicitors as stakeholders upon the signing of the SPA, and the balance purchase consideration upon fulfillment of all conditions precedent. The purchase consideration was arrived at on a willing-buyer and willing-seller basis, taking into account the recent transacted prices for similar land parcels in the proximity.
- 2.4 The Land Acquisition is subject to the fulfilment of, *inter alia*, the following conditions:
 - (a) The Vendor shall procure a Letter of Disclaimer from the debenture holder disclaiming all rights over the Land and excluding the Land from all charges and legal actions; and

- (b) The Vendor shall obtain approval from the land authority for the Section 390 Right of Way with a public right of way from the Land to the neighbouring six parcels of lands.
- 2.5 Additionally, the Vendor shall grant an option ("**Option**") to Compact requiring the Vendor to repurchase the Land at the same purchase consideration in the event that, after completion of the Land Acquisition,
- (a) Compact's application for the construction and operation of Gopeng Plant on the Land has not been approved by the Department of Environment; and
 - (b) Compact's application for a private right of way has not been approved by the land authority.

The Option is valid for 24 months commencing from the date of application of right of way by Compact.

- 2.6 Compact shall undertake to preserve the existing power substation on the Land for the Vendor's utilization and to allow the continued access by the Vendor over the Land for its existing quarry operations.
- 2.7 The Land Acquisition will not have any material impact on the Group's net tangible asset per share and earnings per share of the Group for the financial year ending 30 June 2018.

3. Construction on the Land

- 3.1 After completion of the Land Acquisition and obtaining all regulatory approvals, construction works will commence on the Land.
- 3.2 It is anticipated that the cost of lime production will be reduced significantly after production commences at the Gopeng Plant. On a leaner cost structure, Compact is expecting to be able to price its products more competitively.
- 3.3 As part of an expansion plan, Compact intends to construct a grinding plant ("**Grinding Plant**") on the Land to produce quicklime powder.
- 3.4 With the Grinding Plant, Compact expects to meet some of the demand from the industries of putty lime, sugar refinery, mining and building material.

4. Funding for the Land Acquisition, Gopeng Plant and Grinding Plant

- 4.1 The aggregate cost for the Land Acquisition, the construction and relocation of the Gopeng Plant and the construction of the Grinding Plant (the "**Relocation Exercise**") is estimated to be RM23.4 million (approximately S\$7.8 million), which will be funded entirely by the Group's internal resources.

	RM million	S\$ million
Land Acquisition	2.2	0.7
Gopeng Plant	20.0	6.7
Grinding Plant	1.2	0.4
Total	23.4	7.8

4.2 Depending on how soon the various approvals are being issued by the Malaysian authorities, completion of the Relocation Exercise is expected to take between 18 and 36 months. Whilst the Relocation Exercise is being underway, production continues to be undertaken by the Operating Plant in Banting.

5. Interests of Directors and Controlling Shareholders

5.1 None of the Company's Directors or controlling shareholders has any interest, direct or indirect, in the Relocation Exercise.

6. Document Available for Inspection

6.1 The SPA is available for inspection during normal business hours at the Company's registered office at 10 Arumugam Road, #10-00, LTC Building A, Singapore 409957 for a period of three (3) months from the date of this Announcement.

BY ORDER OF THE BOARD
LION ASIAPAC LIMITED

Tan Yen Hui
Company Secretary

Singapore, 20 October 2017