

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, 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.

You should rely on your own evaluation to assess the merits and risks of the Proposals (as defined herein).



**M E R I D I A N
MERIDIAN BERHAD**

Registration No.: 200001005180 (507785-P)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PART A

- (I) **PROPOSED COLLABORATION;**
- (II) **PROPOSED SHARE CONSOLIDATION;**
- (III) **PROPOSED RIGHTS ISSUE WITH WARRANTS;**
- (IV) **PROPOSED DIVERSIFICATION; AND**
- (V) **PROPOSED ESOS**

(as defined in the ensuing page)

(COLLECTIVELY, REFERRED TO AS THE “PROPOSALS”)

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MERIDIAN
BERHAD IN RELATION TO THE PROPOSED COLLABORATION**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

MALACCA SECURITIES SDN BHD

Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B



SIERAC CORPORATE ADVISERS SDN. BHD.
(Registration No: 200001013247 (515853-A))

The Extraordinary General Meeting (“**EGM**”) of Meridian Berhad (“**Meridian**” or the “**Company**”) will be conducted via online meeting platform (<https://bit.ly/3guJidw>) at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, on Thursday, 22 December 2022 at 10.00 a.m., or at any adjournment thereof. The Notice of EGM together with the Form of Proxy are enclosed herewith in this Circular.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his/her behalf.

The Form of Proxy should be completed and lodged at the Company’s Secretariat, Acclime Corporate Services Sdn Bhd’s office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, not less than 24 hours before the time set for holding the EGM, as indicated below, or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	: Wednesday, 21 December 2022 at 10.00 a.m.
Date and time of the EGM	: Thursday, 22 December 2022 at 10.00 a.m. or at any adjournment thereof

PART A

- (I) PROPOSED COLLABORATION BETWEEN MERIDIAN BERHAD (“MERIDIAN”) AND M101 HOLDINGS SDN BHD (“M101”) TO FACILITATE THE LICENSE AGREEMENT FOR MERIDIAN’S DEVELOPMENT AND OPERATION OF A WATER PARK (“PROPOSED COLLABORATION”);
- (II) PROPOSED CONSOLIDATION OF EVERY 4 ORDINARY SHARES IN MERIDIAN (“MERIDIAN SHARES” OR “SHARES”) INTO 1 CONSOLIDATED MERIDIAN SHARE (“CONSOLIDATED SHARE”) (“PROPOSED SHARE CONSOLIDATION”);
- (III) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,190,746,395 NEW MERIDIAN SHARES (“RIGHTS SHARES”) TOGETHER WITH UP TO 595,373,197 FREE DETACHABLE WARRANTS (“WARRANTS D”) TO THE ENTITLED SHAREHOLDERS OF MERIDIAN (“ENTITLED SHAREHOLDERS”), ON THE BASIS OF 10 RIGHTS SHARES TOGETHER WITH 5 WARRANTS D FOR EVERY 2 CONSOLIDATED SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED (“PROPOSED RIGHTS ISSUE WITH WARRANTS”);
- (IV) PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF MERIDIAN AND ITS SUBSIDIARIES (“MERIDIAN GROUP” OR THE “GROUP”) TO INCLUDE LEISURE AND HOSPITALITY BUSINESSES (“PROPOSED DIVERSIFICATION”); AND
- (V) PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTIONS SCHEME (“SCHEME”) INVOLVING UP TO 15% OF THE TOTAL ISSUED SHARES (EXCLUDING TREASURY SHARES) AT ANY POINT IN TIME DURING THE DURATION OF THE SCHEME (“PROPOSED ESOS”)

(COLLECTIVELY, REFERRED TO AS THE “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MERIDIAN IN RELATION TO THE PROPOSED COLLABORATION

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 2016 of Malaysia, as amended from time to time including any re-enactment thereof
Additional Shares	:	The additional Meridian Shares to be issued arising from the exercise of Additional Warrants C
Additional Warrants C	:	The additional number of Warrants C to be issued as a result of the Adjustment to the number of Warrants C arising from the Proposed Rights Issue with Warrants pursuant to the Deed Poll C
Adjustments	:	Adjustments to the exercise price and the number of outstanding Warrants C arising from the Proposed Share Consolidation and/or Proposed Rights Issue with Warrants, pursuant to the provisions of the Deed Poll C
Announcement	:	The announcement dated 2 August 2022 in relation to the Proposals
Board	:	Board of Directors of Meridian
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
By-Laws	:	The by-laws governing the Proposed ESOS
Circular	:	This circular dated 30 November 2022 in relation to the Proposals
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time including any re-enactment thereof
Collaboration Agreement	:	The collaboration agreement dated 1 August 2022 entered into between Meridian and M101 in relation to the Proposed Collaboration, as amended via the exchange of letter dated 28 October 2022
Consolidated Share(s)	:	Meridian Share(s) upon completion of the Proposed Share Consolidation
Consolidated Warrants C	:	Warrants C upon completion of the Proposed Share Consolidation
Contract No. 130673	:	The Location-Based Entertainment License Agreement contract number 130673 dated 21 December 2018 entered into between M101 (as licensee) and Hasbro Int (as licensor), whereby Hasbro Int had granted M101 the right to utilise the Licensed Property for Hasbro Water Park
COVID-19	:	Coronavirus disease
Current Market Price	:	In relation to each Share for any relevant day means the average of the last dealt prices for each Share on Bursa Securities for the 5 consecutive Market Days immediately before such date for 1 or more board lots of Shares quoted on Bursa Securities

DEFINITIONS (CONT'D)

Date of Offer	:	The date of which an Offer is made by the ESOS Committee to an Eligible Persons to participate in the Scheme
Dato' Seth	:	Dato' Yap Ting Hau, the Chief Executive Officer and an Executive Director of Meridian
Deed Poll	:	The deed poll constituting Warrants D to be executed by the Company
Deed Poll C	:	The deed poll dated 7 August 2014 constituting the Warrants C
Director	:	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 Section 2(1) of the Act and Section 2(1) of the CMSA
Effective Date	:	The date on which the Scheme shall take effect, following full compliance with all relevant requirements prescribed under the Listing Requirements
EGM	:	Extraordinary General Meeting
Eligible Persons	:	Eligible Directors (including non-executive Directors) and/or eligible employees of Meridian Group (excluding dormant subsidiaries)
Entitled Shareholder(s)	:	Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Rights Entitlement Date in order to be entitled to participate in the Proposed Rights Issue with Warrants
EPS	:	Earnings per Share
ESOS Committee	:	The committee comprising Director(s) and/or senior management of the Group to be approved by the Board to implement and administer the Proposed ESOS in accordance with the By-Laws
ESOS Options or Options	:	The right granted to the Grantee to exercise and receive a number of Meridian Shares at the Options Exercise Price, subject to the terms and conditions of the By-Laws
Exercise Period	:	The period commencing on and including the date of issuance of the Warrants D and ending at the close of business at 5.00 p.m. in Kuala Lumpur, on the date preceding the 5th anniversary of the date of issuance, or if such is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day
Exercise Price	:	The exercise price of the Warrants D
F&B	:	Food and beverage
First Amendment to Contract No. 130673	:	First Amendment to Contract No. 130673 dated 1 August 2022 entered into between Meridian, M101 and Hasbro Int, whereby Meridian was added as additional licensee to Contract No. 130673
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending, as the case may be
GDC	:	Gross development cost
GDP	:	Gross domestic product
GDV	:	Gross development value

DEFINITIONS (CONT'D)

Grantee	:	Eligible Persons who have accepted the Offer
Hasbro	:	Hasbro, Inc., the parent company of Hasbro Int
Hasbro Int	:	Hasbro International, Inc.
Hasbro Water Park	:	The water park to be developed at Lot PT 1374 and Lot 1826 of Kuala Linggi Land
IAL	:	Independent advice letter from SCA to the non-interested Shareholders in relation to the Proposed Collaboration as set out in Part B this Circular
Interested Directors	:	Directors of Meridian whom have been offered and granted Offers and/or persons connected to Directors whom have been offered and granted Offers pursuant to the Proposed ESOS
Issue Price	:	The issue price of the Rights Share
Kuala Linggi Land	:	The land at Kuala Linggi, Alor Gajah, Melaka with a size of approximately 620.1 acres (approximately 250.9 hectares), held by Sri Lingga Sdn. Bhd., a wholly-owned subsidiary of Meridian
LAT	:	Loss after tax
LBT	:	Loss before tax
License Agreement	:	Collectively, the Contract No. 130673 and First Amendment to Contract No. 130673
Licensed Property	:	Individually and collectively means the following: BATTLESHIP - CLASSIC; G.I. JOE - CLASSIC MILITARY; MY LITTLE PONY: FRIENDSHIP IS MAGIC - TELEVISION SERIES; MR. POTATO HEAD - CLASSIC; MONOPOLY; ELEFUN or ELEFUN & FRIENDS; MOUSE TRAP; NERF and; PLAY-DOH
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	22 November 2022, being the latest practicable date prior to the printing of this Circular
M101	:	M101 Holdings Sdn Bhd (Registration No.: 201401006143 (1082224-P))
Main Market	:	Main Market of Bursa Securities
Malacca Securities or the Principal Adviser	:	Malacca Securities Sdn. Bhd. (Registration No.: 197301002760 (16121-H))
Market Day	:	Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Limit	ESOS :	The maximum number of new Shares to be allotted and issued arising from the exercise of the Options which may be granted under the Proposed ESOS shall not exceed 15% of the Company's total number of issued Shares (excluding treasury shares, if any) at any point of time during the duration of the Scheme
MCO	:	Movement control order

DEFINITIONS (CONT'D)

Meridian Company	or the	:	Meridian Berhad (Registration No.: 200001005180 (507785-P))
Meridian Group	or the Group	:	Collectively, Meridian and its subsidiaries
Meridian Shareholders	or Shareholders	:	The shareholders of Meridian
Meridian Shares	or the Shares	:	Ordinary shares in Meridian
MFRS 2		:	Malaysian Financial Reporting Standards 2
Minimum Subscription Level		:	The minimum subscription level to raise proceeds of RM10.0 million
MPAG		:	Majlis Perbandaran Alor Gajah
Mr Ng		:	Ng Keong Woo
Mr Tang		:	Tang Boon Koon, an Executive Director of Meridian
NA		:	Net assets
Offer		:	An offer made in writing by the ESOS Committee to the selected Eligible Persons pursuant to the Proposed ESOS
Options Exercise Price		:	The price of which a Grantee is required to pay to be entitled to receive each Meridian Share pursuant to the exercise of an ESOS Option
PAT		:	Profit after tax
PBT		:	Profit before tax
Private Placement 2018		:	The private placement and shares issuance of 96,598,300 Shares which had been completed on 5 December 2019
Private Placement 2020		:	The private placement of 96,598,300 Shares which had been completed on 28 May 2021
Private Placement 2021		:	The private placement of 150,695,909 Shares at an issue price of RM0.0571 per Share which had been completed on 29 December 2021
Proposals		:	Collectively, the Proposed Collaboration, Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS
Proposed Collaboration		:	Proposed collaboration between Meridian and M101 to facilitate the License Agreement for Meridian's development and operation of the Hasbro Water Park
Proposed Diversification		:	Proposed diversification of the existing principal activities of Meridian Group to include leisure and hospitality businesses
Proposed ESOS		:	Proposed establishment of a Scheme involving up to 15% of the Company's total number of issued Shares (excluding treasury shares) at any point in time during the duration of the Scheme for Eligible Persons

DEFINITIONS (CONT'D)

Proposed Rights Issue with Warrants	:	Proposed renounceable rights issue of Rights Shares together Warrants D to the Entitled Shareholders, on the basis of 10 Rights Shares together with 5 Warrants D for every 2 Consolidated Shares held by the Entitled Shareholders on the Rights Entitlement Date
Proposed Share Consolidation	:	Proposed consolidation of every 4 Meridian Shares into 1 Consolidated Share
Record of Depositors	:	A record of depositors established by Bursa Depository under the rules of Bursa Depository, as amended from time to time
Rights Entitlement Date	:	A date to be determined by the Board and announced at a later date for the purpose of determining the entitlement of Entitled Shareholders to the Proposed Rights Issue with Warrants
Rights Shares	:	Up to 1,190,746,395 new Meridian Shares to be issued pursuant to the Proposed Rights Issue with Warrants
RM and sen	:	Ringgit Malaysia and sen, respectively
SCA or the Independent Adviser	:	Sierac Corporate Advisers Sdn. Bhd. (Registration No: 200001013247 (515853-A)), the independent adviser for the Proposed Collaboration
Scheme or ESOS	:	Employees' share options scheme
Share Consolidation Entitlement Date	:	A date to be determined by the Board and announced at a later date for the purpose of determining the entitlement of the Meridian Shareholders to the Proposed Share Consolidation
Sqm	:	square meters
TERP	:	Theoretical ex-rights price
Undertaking Letters	:	The undertaking letters dated 1 August 2022 and 4 August 2022 from Dato' Seth and Mr Tang respectively in relation to their Undertakings
Undertakings	:	Undertakings procured from Dato' Seth and Mr Tang to subscribe for their entitlements under the Proposed Rights Issue with Warrants and to apply for additional Rights Shares with Warrants D not subscribed by other Entitled Shareholders and/or their renounee(s) and/or transferee(s) by way of excess application, for an amount of up to RM5.0 million each
VWAMP	:	Volume weighted average market price
Warrants C	:	Outstanding 48,421,408 warrants 2014/2024 as at LPD, expiring on 24 August 2024 with an exercise price of RM0.80
Warrants D	:	Up to 595,373,197 free detachable warrants in Meridian to be issued pursuant to the Proposed Rights Issue with Warrants

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

All references to “**you**” in this Circular are to Meridian Shareholder(s).

DEFINITIONS (CONT'D)

Any reference in this Circular to any provision of a statute, rule, regulation, enactment, or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment or re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amount listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group's plans and objectives will be achieved.

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EXECUTIVE SUMMARY

The Executive Summary highlights only the salient information of the Proposals. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals before voting at the forthcoming EGM.

Key information	Description
Details of the Proposals (Sections 2, 3, 4, 5 and 6 of Part A of this Circular)	<p>(i) The Proposed Collaboration entails the collaboration between Meridian and M101 to facilitate the License Agreement for Meridian's development and operation of Hasbro Water Park;</p> <p>(ii) The Proposed Share Consolidation entails the consolidation of every 4 Meridian Shares into 1 Consolidated Share;</p> <p>(iii) The Proposed Renounceable Rights Issue with Warrants entails the issuance of up to 1,190,746,395 Rights Shares together with up to 595,373,197 free detachable Warrants D to the Entitled Shareholders, on the basis of 10 Rights Shares together with 5 Warrants D for every 2 Consolidated Shares held by the Entitled Shareholders on the Rights Entitlement Date;</p> <p>(iv) The Proposed Diversification entails the diversification of the existing principal activities of Meridian Group to include leisure and hospitality businesses; and</p> <p>(v) The Proposed ESOS entails an establishment of a Scheme involving up to 15% of the total issued Shares (excluding treasury shares) at any point in time during the duration of the Scheme,</p>

Utilisation of 1. Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants are expected to raise proceeds of up to RM83.4 million which the Company proposes to utilise as follows:-

Details of Utilisation	Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario RM'000	Base Case Scenario RM'000	Maximum Scenario RM'000
Repayment of bank borrowings	Within 1 year	3,000	18,000	18,000
Development and promotion of the Kuala Linggi Land	Within 3 years	5,000	45,000	45,000
Refurbishment of The Summit Bukit Mertajam Plaza	Within 3 years	-	6,291	6,291
General working capital	Within 3 years	800	8,624	12,861
Estimated expenses for the Proposals	Within 3 months	1,200	1,200	1,200
Total		10,000	79,115	83,352

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
	<p>2. Proposed ESOS</p> <p>The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the Options Exercise Price payable upon the exercise of the ESOS Options. The Company will receive proceeds as and when ESOS Options are exercised.</p> <p>The Group intends to utilise such proceeds for the working capital of the Group.</p>
<p>Rationale of the Proposals (Section 8 of Part A of this Circular)</p>	<p>1. Proposed Collaboration</p> <p>The Proposed Collaboration presents an opportunity for the Group to utilise the Licensed Property, to develop and operate the Hasbro Water Park at Malaysia Tourism City.</p> <p>2. Proposed Share Consolidation</p> <p>The Proposed Share Consolidation is part of Meridian's capital management plan to improve the Company's capital structure as well as to facilitate the Proposed Rights Issue with Warrants.</p> <p>3. Proposed Rights Issue with Warrants</p> <p>The Proposed Rights Issue with Warrants will enable the Company to raise funds for the proposed utilisation as set out in Section 4.7 of Part A of this Circular.</p> <p>4. Proposed Diversification</p> <p>The Proposed Diversification allows the Group to persevere with its longer-term perspective and proceed with the development of the Kuala Linggi Land to include a diversity of economic activities such as education, eco-tourism (agriculture), healthcare and mass tourism (water park, weekend market).</p> <p>5. Proposed ESOS</p> <p>The implementation of the Proposed ESOS primarily serves to align the interests of the Eligible Persons to the corporate goals of Meridian Group. The Proposed ESOS will provide the Eligible Persons with an opportunity to have equity participation in Meridian and help achieve the positive objectives of the Group</p>
<p>Interests of directors, major shareholders, chief executive and/or persons connected (Section 14 of Part A of this Circular)</p>	<p>1. Proposed Collaboration</p> <p>Save for Dato' Seth who is interested in the Proposed Collaboration by virtue of him being a director and major shareholder of M101, none of the Directors and/or major shareholder of Meridian and/or persons connected to them have any interest in the Proposed Collaboration.</p> <p>Dato' Seth has and will continue to abstain from all Board deliberations and voting in respect of the Proposed Collaboration. Dato' Seth and persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings, if any, at an EGM to be convened in respect of the resolution to be tabled for the Proposed Collaboration.</p>

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
	2. Proposed Share Consolidation and Proposed Diversification <p>None of the Directors and/or major shareholder of Meridian and/or persons connected to them have any interest in the Proposed Share Consolidation and Proposed Diversification.</p>
	3. Proposed Rights Issue with Warrants <p>None of the Directors and/or major shareholder of Meridian and/or Chief Executive and/or persons connected to them have any interest in the Proposed Rights Issue with Warrants, save for their respective entitlements as Meridian Shareholders under the Proposed Rights Issue with Warrants including the right to apply for additional Rights Shares under the excess Rights Shares application, which are also available to all Meridian Shareholders.</p>
	4. Proposed ESOS <p>All of the Directors of Meridian are deemed interested in the Proposed ESOS by virtue of their eligibility for the Options in their capacity as Directors and in respect of their specific allocations (where applicable) as well as specific allocations to persons connected with them under the Proposed ESOS (where applicable).</p> <p>Accordingly, the Directors will abstain from all Board deliberations and voting in respect of any specific allocation of Options to themselves respectively as well as the specific allocations to any persons connected with them (where applicable) at the relevant Board meetings of the Company.</p>
	1. Proposed Collaboration <p>The Board (save for Dato' Seth), having considered all aspects of the Proposed Collaboration, including but not limited to the rationale for the Proposed Collaboration, the effects of the Proposed Collaboration and the evaluation from SCA, is of the opinion that the Proposed Collaboration is in the best interests of the Company.</p>
Directors' statement and recommendation (Section 18 of Part A of this Circular)	2. Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS <p>The Board, having considered all aspects of the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS, including but not limited to the rationale for the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS, the effects of the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue with Warrants and Proposed ESOS, is of the opinion that the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS are in the best interests of the Company.</p>
	<p>Accordingly, the Board (save for Dato' Seth, who is the interested Director only in respect of the Proposed Collaboration) recommends that Meridian Shareholders vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.</p>

PART A

**LETTER FROM THE BOARD TO MERIDIAN
SHAREHOLDERS IN RELATION TO THE PROPOSALS**



M E R I D I A N

MERIDIAN BERHAD

Registration No.: 200001005180 (507785-P)
(Incorporated in Malaysia)

Registered Office:

Suite 20.08 - 20.09, Plaza 138
Jalan Ampang
50450 Kuala Lumpur
Wilayah Persekutuan
Malaysia

30 November 2022

Board of Directors:

Dato' Yap Ting Hau (Executive Director / Chief Executive Officer)
Tang Boon Koon (Executive Director)
Chew Shin Yong, Mark (Independent Non-Executive Director)
Ng Kok Hok (Independent Non-Executive Director)

To: The Shareholders of Meridian Berhad

Dear Sir/Madam,

- (I) **PROPOSED COLLABORATION;**
- (II) **PROPOSED SHARE CONSOLIDATION;**
- (III) **PROPOSED RIGHTS ISSUE WITH WARRANTS;**
- (IV) **PROPOSED DIVERSIFICATION; AND**
- (V) **PROPOSED ESOS**

(COLLECTIVELY, THE “PROPOSALS”)

1. INTRODUCTION

On 2 August 2022, Malacca Securities had, on behalf of the Board, announced that the Company proposes to undertake the following:

- (i) proposed collaboration between Meridian and M101 to facilitate the License Agreement for Meridian's development and operation of the Hasbro Water Park;
- (ii) proposed consolidation of every 4 Meridian Shares into 1 Consolidated Share;
- (iii) proposed renounceable rights issue of up to 1,190,746,395 Rights Shares together with up to 595,373,197 Warrants D to the Entitled Shareholders, on the basis of 10 Rights Shares together with 5 Warrants D for every 2 Consolidated Shares held by the Entitled Shareholders on the Rights Entitlement Date;
- (iv) proposed diversification of the existing principal activities of Meridian Group to include leisure and hospitality businesses; and
- (v) proposed establishment of a Scheme involving up to 15% of the total issued Shares (excluding treasury shares) at any point in time during the duration of the Scheme for eligible directors and employees of the Group (excluding dormant subsidiaries).

On 1 September 2022, Malacca Securities had on behalf of the Board, submitted an application to Bursa Securities for an extension of time up to 1 November 2022 to comply with Paragraph 9.33(1)(a) and Paragraph 13.16(1) of the Listing Requirements to submit the application for the Proposed Share Consolidation, draft circular in relation to the Proposals together with the listing application for the Proposed Rights Issue with Warrants and Proposed ESOS to Bursa Securities (“**EOT Application**”). On 6 September 2022, Malacca Securities had on behalf of the Board, announced that Bursa Securities had vide its letter dated 5 September 2022 approved the EOT Application.

On 28 October 2022, Malacca Securities had on behalf of the Board, announced that the Company and M101 had on even date via an exchange of letter, agreed for an extension of time for 90 days from 30 October 2022 to 27 January 2023 for the fulfilment of the conditions precedent of the Collaboration Agreement.

On 21 November 2022, Malacca Securities had on behalf of the Board, announced that Bursa Securities had vide its letter dated 21 November 2022, approved the following:

- (i) the Proposed Share Consolidation;
- (ii) admission to the Official List of Bursa Securities and the listing and quotation of up to 595,373,197 Warrants D to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;
- (iii) listing and quotation of
 - (a) up to 1,190,746,395 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;
 - (b) up to 595,373,197 new Meridian Shares to be issued pursuant to the exercise of the Warrants D on the Main Market of Bursa Securities;
 - (c) up to 34,586,720 additional Warrants C to be issued pursuant to the Adjustments on the Main Market of Bursa Securities;
 - (d) up to 34,586,720 additional Meridian Shares to be issued pursuant to the exercise of the additional Warrants C to be issued pursuant to the Adjustments on the Main Market of Bursa Securities; and
 - (e) such number of new Meridian Shares representing up to 15% of the Company's total number of issued Shares (excluding treasury shares), to be issued pursuant to the exercise of the ESOS Options during the duration of the Scheme on the Main Market of Bursa Securities;

subject to, inter alia, the conditions as set out in Section 13 of Part A of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE MERIDIAN SHAREHOLDERS WITH THE DETAILS OF THE PROPOSALS AND TO SEEK MERIDIAN SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR AND PART B COMPRISING THE IAL IN RELATION TO THE PROPOSED COLLABORATION, TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

2. PROPOSED COLLABORATION

M101 (as licensee) had on 21 December 2018, entered into the Contract No. 130673 with Hasbro Int (as licensor), whereby Hasbro Int had granted M101 the right to utilise the Licensed Property for the Hasbro Water Park at Lot PT 1374 and Lot 1826 of Kuala Linggi Land.

At that juncture, M101 (as a property developer) had intended to enter into a joint venture with Meridian Group to develop and operate the Hasbro Water Park on the Kuala Linggi Land. Nevertheless, such plan was delayed due to the inability to secure funding, uncertain economic outlook as well as the COVID-19 pandemic. For information, Contract No. 130673 sets out amongst others, the development schedule for the construction of the Hasbro Water Park. As such, the financial obligation of Meridian Group to Hasbro Int may commence upon entering into such joint venture with M101. The Board thus had to consider amongst others, the timing suitability as well as the financial resources being in place prior to entering into such joint venture with M101. For avoidance of doubt, Meridian Group did not enter into any joint venture / lease / rental agreement with M101 to develop the Hasbro Water Park on the Kuala Linggi Land. Whilst M101 was unable to make any physical progress on the Kuala Linggi Land as M101 had yet to secure such arrangement with Meridian Group since 2018, M101 had in 2019 appointed a third-party design firm, namely Steadman Design Studio, Inc. and had incurred RM0.3 million to develop a Design Concept Plan (as defined below) for the Hasbro Water Park. Nevertheless M101 was unable to consider the Design Concept Plan developed by Steadman Design Studio, Inc. after considering, amongst others, the cost required. In January 2021, another third-party design firm, namely Sim Leisure Far East Co., Ltd. was appointed to undertake the Design Concept Plan for the Hasbro Water Park, with the intention to reduce the construction cost for the project. For avoidance of doubt, as at LPD, M101 has yet to submit the Design Concept Plan to Hasbro Int as M101 and Meridian Group are still in the midst of finalising the Design Concept Plan with Sim Leisure Far East Co, Ltd. For information, neither M101 nor Meridian Group had incurred any cost relating to the appointment of Sim Leisure East Co., Ltd. for the development of the Design Concept Plan.

The Group had since decided to proceed with the development of the Kuala Linggi Land with its longer-term perspective to provide the Meridian Group with a diversified revenue stream. Together with the Proposed Collaboration, Meridian had also announced the Proposed Rights Issue with Warrants to raise the funds for the development of the Kuala Linggi Land. To enable Meridian to participate in the Hasbro Water Park, Meridian and M101 had on 1 August 2022, entered into the First Amendment to Contract No. 130673 with Hasbro Int, whereby amongst others, Meridian was added as additional licensee to Contract No. 130673. The following sets out the key amendments of the First Amendment to Contract No. 130673:-

No.	Terms and Conditions	Contract No. 130673	First Amendment to Contract No. 130673
1.	Development Term	Means the period from execution of Contract No. 130673 to 31 December 2021.	Means the period from execution of First Amendment to Contract No. 130673 to 31 December 2025.
2.	Initial Term	Means 1 January 2022 to 31 December 2035.	Means 1 January 2026 to 31 December 2035.
3.	Soft Opening Date	The date which the project opens to limited number of visitors for a trial run, which shall be no later than 1 June 2022.	No later than 90 days prior to the Grand Opening Date.
4.	Grand Opening Date	The date which the project officially opens to the public, which shall be no later than 1 January 2023.	The date which the project officially opens to the public, which shall be no later than 1 January 2026.

No.	Terms and Conditions	Contract No. 130673	First Amendment to Contract No. 130673
5.	Development schedule for the following milestones:		
a)	Outline of dates for additional critical path project development milestones submitted to Licensor (i.e. Hasbro Int) for approval (including but not limited to delivery deadlines for concept package, script, costume designs and marketing materials and any critical path project development milestones requested in writing by Licensor in its sole discretion), which, upon Licensor written approval, shall automatically be deemed additional milestones incorporated into and part of this development schedule	No later than 2 months from 21 December 2018.	On or before 1 January 2023.
b)	Selection of a third party design firm, subject to the terms of the License Agreement, including but not limited to Section 7 of the standard terms in the License Agreement in relation to the appointment of third party, i.e. the licensees (Meridian and M101) shall, among others, obtain Hasbro Int's prior written approval on the appointment of the said third party, abide by all relevant terms and conditions of the License Agreement relating to the services to be performed by the said third party, ensure that the said third party carry adequate insurance coverage consistent with the specific industry and specific services.	No later than 2 months from 21 December 2018.	On or before 1 March 2023.

No.	Terms and Conditions	Contract No. 130673	First Amendment to Contract No. 130673
c)	Design concept plan submitted to Licensor for approval, including but not limited to master plan, concept design, written treatment outlining creative intent, proposed program/matrix of attractions, circulation diagrams, descriptions of attractions, 2 sketches of entrance, 10 sketches of retail, 10 color sketches of key experiences, bird's eye view of facility, storylines, updates to production and marketing budgets and any other design concept information reasonably requested by Licensor in its sole discretion (collectively, the "Design Concept Plan")	No later than 6 months from 21 December 2018.	On or before 1 June 2023.
d)	Analysis of the economic and operational feasibility of the project (including but not limited to projected attendance, demographics, per cap spending, comparable projects, calculations supporting investments and operational cost with operating margins, feasibility of Design Concept Plan) (the "Concept Design Phase Analysis") submitted to Licensor for approval	On or before 1 May 2019 and updated for each material addition or revision to the project, licensed physical product (if any), licensed digital product (if any) and/or project component during the term.	On or before 1 June 2023 and updated for each material addition or revision to the project, licensed physical product (if any), licensed digital product (if any) and/or project component during the term.
e)	Project production schedule (including but not limited to identification of design and management recourse needed, establishment of key dates for implementing/construction of the experience, identification of Licensor reviews and approvals necessary to effectively facilitate construction) (collectively, the "Production Schedule") and project manager selection submitted to Licensor for approval	On or before 1 May 2019.	On or before 1 September 2023.
f)	Construction and development design package submitted to Licensor for approval (including but not limited to schematic design, detailed renderings of each concept including elevations, stage designs, construction illustrations/production drawings and Production Schedule)	On or before 1 September 2019.	On or before 1 September 2023.

No.	Terms and Conditions	Contract No. 130673	First Amendment to Contract No. 130673
g)	Full financing of at least the Minimum Capital Investment of US\$12,000,000 (equivalent to RM54,858,000*) (as set out in Section 2.6 of Part A of this Circular) completed and documentation evidencing completion received by Licensor	On or before 1 January 2020.	On or before 1 September 2023.
h)	Commencement of project construction	On or before 1 January 1 2021.	On or before 1 January 2024.

6. Financial terms:

Development fee and initial term minimum guarantee	Development fee and initial term minimum guarantee aggregating US\$16,500,000 (equivalent to RM75,429,750*) of which the initial term minimum guarantee is recoupable against royalties earned during the Initial Term period.	Development fee and initial term minimum guarantee aggregating US\$16,500,000 (equivalent to RM75,429,750*) of which the initial term minimum guarantee is recoupable against royalties earned during the revised Initial Term period.
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* Based on RM/USD exchange rate of 4.5715 as at LPD (source: Bank Negara Malaysia website)

The salient terms of the License Agreement are set out in **Appendix II** of this Circular.

In order to regulate Meridian and M101's respective obligations and to facilitate the License Agreement, Meridian and M101 had on 1 August 2022 entered into the Collaboration Agreement. Essentially, Meridian will assume all obligations (including financial obligations) and development costs as set out in the License Agreement and will be required to provide a land as the venue for the Hasbro Water Park.

For the avoidance of doubt, M101 did not receive any consideration for the Collaboration Agreement and will not receive any entitlement in connection with the License Agreement nor any financial reward / fee and/or benefits in kind from Meridian and/or Hasbro Int for facilitating the communication between the parties nor any reimbursement of expenses incurred prior to the signing of the Collaboration Agreement. All profits to be derived from the Hasbro Water Park shall accrue to Meridian. M101 shall provide assistance in facilitating the communication between Meridian and Hasbro Int regarding the License Agreement.

Since the signing of Contract No. 130673 on 21 December 2018, M101 and Meridian Group had discussed various forms of joint venture to develop and operate the Hasbro Water Park on the Kuala Linggi Land. Nevertheless, such joint venture was not finalised due to the inability to secure funding, uncertain economic outlook as well as the COVID-19 pandemic. After considering the various forms of joint venture between M101 and Meridian Group, the Proposed Collaboration was decided after considering that this would be the most appropriate arrangement to avoid any future conflict of interest as Meridian will bear all costs associated with the development of the Hasbro Water Park and M101 will not be receiving any benefit from the Hasbro Water Park moving forward. Essentially, the Proposed Collaboration entails M101 relinquishing its obligations as well as benefits of the Hasbro Water Park to Meridian Group.

In accordance with the terms of the License Agreement whereby Meridian has now been included as a licensee, Meridian is now a party to the License Agreement who will be dealing directly with Hasbro Int moving forward. Nevertheless, Meridian intends to capitalise on the relationship and good rapport established by Dato' Seth with Hasbro in the past. As such, the Collaboration Agreement was entered into with a focus for M101 to relinquish all its obligations as well as benefits of the Hasbro Water Park to Meridian Group, and for M101 (i.e. Dato' Seth) to continue to facilitate the communication between Hasbro Int and Meridian.

The salient terms of the Collaboration Agreement are set out in **Appendix III** of this Circular.

As the Hasbro Water Park represents the Meridian Group's first foray into the leisure industry, the Group believes that it can leverage on the experience gained by Dato' Seth and Mr Ng in the property development industry in the past to develop and manage the Hasbro Water Park. In addition, the License Agreement sets out amongst others the requirement to submit the development plan and analysis of the economic and operation feasibility of the Hasbro Water Park for Hasbro Int's approval prior to the construction of the Hasbro Water Park. Whilst the Group intends to employ a professional management team to manage the Hasbro Water Park moving forward, the Group believes that it can also leverage on Hasbro Int's experience to develop and operate the Hasbro Water Park.

For information, Dato' Seth, is a director and shareholder of M101. In view of the interests of Dato' Seth in the Proposed Collaboration, the Proposed Collaboration is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, SCA had on 1 August 2022, been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the Proposed Collaboration.

2.1 Information of the Kuala Linggi Land for the development of Hasbro Water Park

(a) Lot PT 1374

Land owner	:	Sri Lingga Sdn. Bhd., a direct wholly-owned subsidiary of Meridian
Land title number	:	PT 1374, H.S.(D) 17889, Mukum Kuala Linggi, Daerah Alor Gajah, Negeri Melaka
Land area	:	28.6234 hectares (approximately 70.7 acres)
Tenure	:	Leasehold 99 years expiring on 27 August 2108
Category of land use	:	<i>Bangunan</i>
Express condition	:	<i>Untuk bangunan perniagaan (chalet dan rekreasi) sahaja.</i>
Restriction-in-interest	:	<i>Tanah ini tidak dibenarkan di pindahtanah atau dipajak kecuali dengan kebenaran Pihak Berkuasa Negeri. Sekatan kepentingan ini dikecualikan bagi pindahtanah atau pajakan pertama</i>
Encumbrances	:	Charged to Public Bank Berhad
Description of existing use	:	To be utilised for the development of Malaysia Tourism City project

(b) Lot PT 1826

Land owner	:	Sri Lingga Sdn. Bhd., a direct wholly-owned subsidiary of Meridian
Land title number	:	PT 1826, H.S.(D) 18397, Mukum Kuala Linggi, Daerah Alor Gajah, Negeri Melaka
Land area	:	19.27 hectares (approximately 47.6 acres)
Tenure	:	Leasehold 99 years expiring on 27 August 2108
Category of land use	:	<i>Pertanian</i>
Express condition	:	<i>Untuk tanaman buah-buahan sahaja</i>
Restriction-in-interest	:	<i>Tanah ini tidak dibenarkan di pindahtanah atau dipajak kecuali dengan kebenaran Pihak Berkuasa Negeri. Sekatan kepentingan ini dikecualikan bagi pindahtanah atau pajakan pertama</i>
Encumbrances	:	Charged to Public Bank Berhad
Description of existing use	:	To be utilised for the development of Malaysia Tourism City project

2.2 Information of the Hasbro Water Park

Details of the Hasbro Water Park are set out below:

Project name	:	Hasbro Water Park
Type of development	:	Water park
Location	:	Kuala Linggi, Alor Gajah Melaka
Estimated GDC ^(a)	:	Phase 1: RM102.5 million
Components of the Hasbro Water Park	:	<p>The Hasbro Water Park is proposed to be developed in 2 phases as follow:</p> <ul style="list-style-type: none">- Phase 1: 13 attraction points which include, amongst others, 9 water slides, 3 water houses, 1 adventure park and 2 spray playground ^(b)- Phase 2: To be determined at a later stage.
Expected commencement and completion date of development	:	Phase 1 development of the Hasbro Water Park is expected to commence in February 2023 and is expected to complete in June 2025.

Status of approvals : for development and date obtained	Authority	Approval	Status
	MPAG	Development order	Application to be made in first quarter of year 2023
	MPAG	Building plan	Application to be made in first quarter of year 2023
	Indah Water Konsortium Sdn Bhd	Sewerage plant	Application to be made in first quarter of year 2023
	Tenaga Nasional Berhad	Power supply	Application to be made in first quarter of year 2023
	Syarikat Air Melaka Berhad	Water supply	Application to be made in first quarter of year 2023

Notes:-

- (a) The estimated GDC represents the construction costs comprising mainly piling works, building works, mechanical and electronic works as well as external works and development costs comprising mainly project management fees, authority and utilities fees.
- (b) The components are subject to the approval by Hasbro Int.

The Kuala Linggi Land sits along the coastal corridor running between Kuala Lumpur and Johor-Singapore, and is an hour drive from the Kuala Lumpur International Airport. The Kuala Linggi Land is thus strategically located to attract both local and international tourist. The Kuala Linggi Land was selected to develop the Hasbro Water Park after considering the available landbank of the Group, the size of the Kuala Linggi Land and the location of the Kuala Linggi Land. In addition to the Hasbro Water Park, Meridian intends to develop the Kuala Linggi Land to house the Malaysia Tourism City which is envisaged to comprise the weekend market, thematic adventure park, eco-tourism park, edu-tourism facilities, moto-tourism park, aesthetic healthcare centre, medical centre, martial arts village, aquarium, convention centre, shopping mall and convention centre, hotels and vacation bungalows.

2.3 Information of Hasbro Int

Hasbro Int is a subsidiary of Hasbro. Hasbro is a global play and entertainment company that is listed on NASDAQ stock exchange (United States) since year 1968. Its iconic brands include NERF, MAGIC: THE GATHERING, MY LITTLE PONY, TRANSFORMERS, PLAY-DOH, MONOPOLY, BABY ALIVE, DUNGEONS & DRAGONS, POWER RANGERS, PEPPA PIGS and PJ MASKS.

As at LPD, the board of directors of Hasbro are as follows:

1. Richard S. Stoddart (Chair of the board of directors)
2. Christian P. Cocks
3. Edward M. Philip
4. Lisa Gersh
5. Laurel J. Richie
6. Kenneth A. Bronfin
7. Elizabeth Hamren
8. Michael R. Burns
9. Blake Jorgensen
10. Mary Beth West
11. Hope F. Cochran
12. Tracy A. Leinbach
13. Linda Zecher Higgins

(Source: Hasbro's annual report 2021)

As at LPD, the number of shares of common stock outstanding is 138,113,722 with a market capitalisation of USD8.2 billion (equivalent to approximately RM37.3 billion*).

** Based on RM/USD exchange rate of 4.5715 as at LPD (source: Bank Negara Malaysia website)*

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

	Direct	%
Vanguard Group Inc	15,142,015	10.96
BlackRock Inc	11,879,545	8.60
Hassenfeld Alan Geoffrey	7,598,726	5.50

(Source: Bloomberg)

As at LPD, the directors of Hasbro Int are (a) Sibley, Tarrant, (b) Goldner, Brian David and (c) Thomas, Deborah Maria.

(Source: Gov.UK's website)

2.4 Information of M101

M101 was incorporated in Malaysia as a private limited company on 25 February 2014 under the Act. As at LPD, M101 is principally involved in investment holdings.

As at LPD, M101's issued share capital is RM2,000,000 comprising 2,000,000 ordinary shares, all of which are held by Vertical Meridian Sdn Bhd, which is wholly-owned by Dato' Seth and his spouse.

As at LPD, Dato' Seth is the only director of M101.

The key projects undertaken under the “M101” brand in the past are as follows:

Name of project	Location	Project GDV (RM'000)	Completed (Year)
Menara M101 Dang Wangi*	Jalan Kemunting, Kuala Lumpur	117,641	2017
Menara M101 Bukit Bintang	Jalan Baba, Kuala Lumpur	359,955	2022

Note:-

- * Upon completion of the Menara M101 Dang Wangi project in 2017, Dato' Seth's group of companies had operated and maintained the project as a hotel until year 2021.

The key financial information of M101 for the past 3 financial years are as follows:

	Unaudited		
	FYE	FYE	FYE
	31 December 2019	31 December 2020	31 December 2021
	RM	RM	RM
Revenue	-	-	-
Gross /profit	-	-	-
LBT	(21,139)	(10,038,805)	(72,460)
LAT	(21,139)	(10,038,805)	(72,460)
Net liabilities	(28,560,454)	(38,599,259)	(38,671,718)
NA per share (RM)	N/A*	N/A*	N/A*
Total borrowings	840,116	837,840	815,782
Gearing ratio (times)	N/A*	N/A*	N/A*
Current assets	10,089,150	5,769,370	5,766,504
Current liabilities	102,836	55,796,330	55,860,325
Current ratio (times)	98.1	0.1	0.1

(Source: Management account of M101 for the FYEs 31 December 2019 to 2021)

Note:-

- * Not applicable as M101 is in net liabilities position

For information, the financial information for the aforementioned financial years was not audited by an external auditor due to the high turnover of M101's accounting team and difficulty in hiring new replacements since the commencement of the movement control orders imposed by the Government. As at LPD, M101 had appointed a finance manager to oversee its accounts as well as to liaise with the external auditors for the overdue audit on M101's financial statements. As at LPD, M101 had engaged Chong & Co to conduct the audit on M101's financial statements for the FYEs 31 December 2019 to 2021.

2.5 Liabilities to be assumed

Save for the obligations and liabilities arising from the License Agreement, there are no other liabilities, contingent liabilities or guarantees to be assumed by Meridian pursuant to the Proposed Collaboration.

2.6 Estimated financial commitments

Save for the financial commitments required pursuant to the License Agreement and for the implementation and completion of the development of Hasbro Water Park, Meridian is not expected to incur any other additional financial commitment in relation to the Proposed Collaboration. For information, prior to the Proposed Collaboration, M101 had incurred expenses amounting to RM0.3 million for payment to Steadman Design Studio, Inc. for its appointment in relation to the development of the Design Concept Plan for the Hasbro Water Park. For avoidance of doubt, Meridian is not required to reimburse M101 for the aforementioned expenses incurred.

The summary of the financial commitments required to be incurred by Meridian pursuant to the License Agreement is as follows:

Financial Commitments ^(a)	US\$	RM*
Development Fee and Initial Term Minimum Guarantee ^(b)	16,500,000	75,429,750
Minimum Capital Investment	12,000,000	54,858,000
	28,500,000	130,287,750

Notes:-

- (a) In addition to the aforementioned financial commitments, Meridian is required to pay royalties and sponsorship fees, which is to be derived based on net revenues and sponsorship derived from the Hasbro Water Park respectively.
- (b) Payable throughout the construction period and the operation period of the Hasbro Water Park. For information, the Initial term Minimum Guarantee is recoupable against royalties earned.

* *Based on RM/USD exchange rate of 4.5715 as at LPD (source: Bank Negara Malaysia website)*

In addition, in accordance with the terms of the License Agreement, Meridian Group will be required to ensure that it adheres to minimum insurance limit aggregating USD116.0 million (equivalent to RM530.3 million), the breakdown of which are set out in Section 10 of Appendix II. The total insurance premium to be paid per annum is unable to be quantified at this juncture as Meridian Group can only engage with the relevant insurer subsequent to the completion of the construction of the Hasbro Water Park.

2.7 Source of funding

Meridian intends to fund the development of Hasbro Water Park through combination of internally generated funds, bank borrowings and/or the proceeds to be raised from the Proposed Rights Issue with Warrants, the breakdown of which will be determined by the Board at a later stage depending on the funding opportunity, cost of funding and capital requirements of its other business operations.

3. PROPOSED SHARE CONSOLIDATION

The Proposed Share Consolidation entails the consolidation of every 4 Meridian Shares held by Meridian Shareholders on the Share Consolidation Entitlement Date, into 1 Consolidated Share.

As at LPD, the issued share capital of Meridian is RM294,020,692 comprising 913,739,108 issued Shares (inclusive of 9,563,400 treasury shares) and there are 48,421,408 outstanding Warrants C. None of the Warrants C had been exercised since its issuance on 25 August 2014 and the Warrants C (with exercise price of RM0.80) are currently out-of-money.

For illustration purposes,

- (i) assuming none of the existing Warrants C are exercised and converted into new Shares prior to the Share Consolidation Entitlement Date, the 913,739,108 Shares will be consolidated into 228,434,777 Consolidated Shares (inclusive of 2,390,850 consolidated treasury shares) pursuant to the Proposed Share Consolidation;
- (ii) assuming all the existing Warrants C are exercised and converted into new Shares prior to the Share Consolidation Entitlement Date, the 962,160,516 Shares will be consolidated into 240,540,129 Consolidated Shares (inclusive of 2,390,850 consolidated treasury shares) pursuant to the Proposed Share Consolidation.

The actual number of Consolidated Shares will be determined based on the issued share capital of the Company on the Share Consolidation Entitlement Date after taking into consideration any new Shares that may be issued arising from the exercise of any outstanding Warrants C.

Fractional entitlements arising from the Proposed Share Consolidation in respect of the Consolidated Shares, if any, shall be disregarded and/or dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interests of the Company.

It is the intention of the Company not to resell treasury shares and/or acquire any Shares prior to the implementation of the Proposals. It is also the intention of the Company to implement the Proposed Share Consolidation prior to the Proposed Rights Issue with Warrants.

The Proposed Share Consolidation will result in a reduction in the number of Shares available in the market. As such, the trading prices of the Shares will be adjusted accordingly in proportion to the basis of the Proposed Share Consolidation. As such, Meridian Shareholders are strongly advised to trade cautiously to prevent overselling of their position in respect of their Shares.

3.1 Theoretical adjusted reference price of the Consolidated Shares and Consolidated Warrants C

The Proposed Share Consolidation will result in an adjustment to the reference price of Meridian Shares listed and quoted on the Main Market of Bursa Securities. For illustration purposes, based on the last transacted market price of the Shares as at LPD of RM0.030, the theoretical adjusted reference price of Meridian Shares upon completion of the Proposed Share Consolidation is as follows:-

	Number of Shares	Market / Theoretical adjusted reference price per Meridian Share RM	Total value ^(a) RM'000
As at LPD	913,739,108 (including 9,563,400 treasury shares)	0.030 <i>(Last transacted market price as at LPD)</i>	27,412

	Number of Shares	Market / Theoretical adjusted reference price per Meridian Share	Total value^(a)
		RM	RM'000
Upon completion of the Proposed Share Consolidation	228,434,777 (including 2,390,850 consolidated treasury shares)	0.120 ^(b) <i>(Theoretical adjusted reference share price after adjustment)</i>	27,412

Notes:-

(a) The total value was arrived at by multiplying the number of Meridian Shares with the market/theoretical adjusted reference price per Meridian Share.

(b) The theoretical adjusted reference price is arrived at based on the following formula:-

$$\begin{aligned}
 \text{Theoretical adjusted reference share price} &= \text{Last transacted market price as at LPD} \times \frac{\text{Number of Meridian Shares as at LPD (including treasury shares)}}{\text{Number of Consolidated Shares (including consolidated treasury shares)}} \\
 &= \text{RM0.030} \times \frac{913,739,108}{228,434,777} \\
 &= \text{RM0.120}
 \end{aligned}$$

The reference price of the existing Warrants C will also be adjusted on similar basis as above based on the adjusted number of Warrants C. For illustration purposes, based on the last transacted market price of the Warrants C as at LPD of RM0.005, the theoretical adjusted reference price of Warrants C upon completion of the Proposed Share Consolidation is as follows:-

	Number of Warrants C	Market / Theoretical adjusted reference price per Warrants C	Total value^(a)
		RM	RM'000
As at LPD	48,421,408	0.005 <i>(Last transacted market price as at LPD)</i>	242
Upon completion of the Proposed Share Consolidation	12,105,352	0.020 ^(b) <i>(Theoretical adjusted reference share price after adjustment)</i>	242

Notes:-

- (a) The total value was arrived at by multiplying the number of Warrants C with the market/theoretical adjusted reference price per Warrants C.
- (b) The theoretical adjusted reference price is arrived at based on the following formula:-

$$\begin{aligned}\text{Theoretical adjusted reference warrant price} &= \text{Last transacted market price as at LPD} \times \frac{\text{Number of Warrants C as at LPD}}{\text{Number of Consolidated Warrants C}} \\ &= \text{RM0.005} \times \frac{48,421,408}{12,105,352} \\ &= \text{RM0.020}\end{aligned}$$

Based on the illustration above, the Proposed Share Consolidation will increase the reference price of Meridian Shares and Warrants C but it will not have any impact on the total market value of the Meridian Shares held by Meridian Shareholders and total market value of the Warrants C held by the holders of the Warrants C.

The Proposed Share Consolidation would give rise to Adjustments to the Warrants C' exercise price and/or number of unexercised Warrants C in accordance with the provisions of the Deed Poll C.

$$\begin{aligned}\text{New exercise price for Warrants C} &= \frac{\text{Aggregate number of issued Meridian Shares before the Proposed Share Consolidation)}}{\text{Aggregate number of Meridian Shares after the Proposed Share Consolidation}} \times \text{Existing exercise price of Warrants C} \\ &= \frac{904,175,708}{226,043,927} \times \text{RM0.800} \\ &= \text{RM3.200}\end{aligned}$$

A notice will be despatched to the respective holders of the Warrants C in the event of any such Adjustments.

3.2 Ranking of Consolidated Shares

3.2.1 Consolidated Shares

The Consolidated Shares shall rank *pari passu* in all respects with each other following the completion of the Proposed Share Consolidation.

3.2.2 Consolidated Warrants C

The Consolidated Warrants C shall rank *pari passu* in all respects with each other following the completion of the Proposed Share Consolidation.

3.3 Suspension of trading

There will not be any suspension of trading of Meridian Shares and Warrants C pursuant to the Proposed Share Consolidation as the Proposed Share Consolidation is prescribed as a specified consolidation pursuant to Paragraph 13.14 of the Listing Requirements.

3.4 Listing date and notices of allotment

The Consolidated Shares and Consolidated Warrants C will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Share Consolidation Entitlement Date.

The notices of allotment will be issued and despatched to the entitled shareholders within 4 market days after the listing and quotation of the Consolidated Shares and Consolidated Warrants C on the Main Market of Bursa Securities, or such other period as may be prescribed by Bursa Securities.

4. PROPOSED RIGHTS ISSUE WITH WARRANTS

4.1 Basis and number of Rights Shares and Warrants to be issued

The Proposed Rights Issue with Warrants which involves the issuance of up to 1,190,746,395 new Rights Shares together with up to 595,373,197 Warrants D is proposed to be implemented on a basis of 10 Rights Shares together with 5 Warrants D for every 2 Consolidated Shares held by the Entitled Shareholders on the Rights Entitlement Date. The Proposed Rights Issue with Warrants is expected to be implemented after the completion of the Proposed Share Consolidation.

The basis of 10 Rights Shares together with 5 Warrants D for every 2 Consolidated Shares was arrived at after taking into consideration, amongst others, the following:-

- (i) The amount of proceeds to be raised from the subscription of the Rights Shares which is to be channelled towards the purposes as set out in Section 4.7 of Part A of this Circular. The actual amount of proceeds to be raised is dependent on the final issue price of the Rights Shares and the level of subscription for the Proposed Rights Issue with Warrants; and
- (ii) Compliance with Paragraph 6.50 of the Listing Requirements, which states that the number of new Shares which arise from the exercise or conversion of all outstanding convertible equity securities, does not exceed 50% of the total number of issued Shares of the Company (excluding treasury shares and before the exercise of the convertible equity securities) at all times.

The Rights Shares and Warrants D will be provisionally allotted and issued to the Entitled Shareholders. The Rights Entitlement Date shall be determined by the Board after obtaining all approvals for the Proposed Rights Issue with Warrants.

The Warrants D are attached to the Rights Shares without cost and will be issued only to shareholders of Meridian who subscribe for the Rights Shares. The Warrants D will be immediately detached from the Rights Shares upon issuance and will be traded separately on the Main Market of Bursa Securities. The Warrants D will be issued in registered form and constituted by a Deed Poll. The indicative principal terms of Warrants D are set out in Section 4.8 of Part A of this Circular.

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Proposed Rights Issue with Warrants will simultaneously relinquish any accompanying entitlement to the Warrants D. For avoidance of doubt, the Rights Shares and the Warrants D are not separately renounceable.

In determining the entitlement of the Entitled Shareholders under the Proposed Rights Issue with Warrants, fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as the Board in its sole and absolute discretion deem fit or expedient and in the best interests of the Company.

The Rights Shares together with Warrants D which are not taken up or validly taken up shall be made available for excess Rights Shares with Warrants D application by the other Entitled Shareholders and/ or their renouncee(s) and/or transferee(s). The Board intends to allocate the excess Rights Shares together with Warrants D in a fair and equitable manner on a basis to be determined by the Board.

The full details of the Proposed Rights Issue with Warrants will be set out in the abridged prospectus to be issued by the Company. The abridged prospectus together with the accompanying documents in relation to the Proposed Rights Issue with Warrants will not be sent to Meridian Shareholders whose addresses in the Company's Record of Depositors are not in Malaysia to avoid any violation on the part of the Company of any securities laws applicable outside Malaysia.

4.2 Basis of determining and justification for the Issue Price

The Issue Price will be determined by the Board at a later stage after taking into consideration amongst others, the following:-

- (i) the funding requirements of the Group as set out in Section 4.7 of Part A of this Circular;
- (ii) the prevailing market conditions and historical trading prices of Meridian Shares for the past 12 months; and
- (iii) the TERP computed based on the 5-day VWAMP of Meridian Shares immediately preceding the price-fixing date.

It is the intention of the Board to fix the Issue Price at a discount of up to 30% to the TERP based on the 5-day VWAMP of Meridian Shares immediately preceding the price-fixing date. This discount range was determined by the Board after taking into consideration the need of the Company to price the Rights Shares at an issue price deemed sufficiently attractive to encourage subscription of the Rights Shares and to enable the Meridian Group to raise the necessary funds required for the intended utilisation as set out in Section 4.7 of Part A of this Circular.

Based on the illustrative scenarios as set out in Section 11 of Part A of this Circular, the Rights Shares are assumed to be issued at an indicative Issue Price of RM0.070 per Rights Share, which represents a discount of approximately 15.66% to the TERP of Meridian Shares of RM0.083, calculated based on the 5-day VWAMP of Meridian Shares up to and including the 29 July 2022, the latest practicable date prior to the Announcement, of RM0.180 (after adjusting for the effects of the Proposed Share Consolidation).

Based on the illustrative scenarios as set out in Section 11 of Part A of this Circular, the Rights Shares are assumed to be issued at an indicative Issue Price of RM0.070 per Rights Share, which represents a discount of approximately 7.89% to the TERP of Meridian Shares of RM0.076, calculated based on the 5-day VWAMP of Meridian Shares up to and including the LPD of RM0.117 (after adjusting for the effects of the Proposed Share Consolidation).

4.3 Basis of determining and justification for the Exercise Price of Warrants

The Warrants D are attached to the Rights Shares without cost and will be issued only to Meridian Shareholders who subscribe for the Rights Shares.

The Exercise Price of the Warrants D will be determined by the Board at a later stage after taking into consideration amongst others, the funding requirements of Meridian and the expected timing of such requirements over the duration of the Warrants D.

It is the intention of the Board to fix the Exercise Price of the Warrants D equivalent to the Issue Price of the Rights Shares. The Board is of the opinion that the basis of determining the Exercise Price at the Issue Price of the Rights Shares is reasonable after taking into consideration the following:-

- (i) the Warrants are attached to the Rights Shares, and that the Rights Shares are available for subscription by all Meridian shareholders on a pro-rata basis;
- (ii) the Warrants D will be issued at no cost to the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) who subscribe for the Rights Shares;
- (iii) assuming the maximum scenario whereby the Group would have raised the necessary proceeds for the purposes detailed in Section 4.7 of Part A of this Circular, it would be beneficial to the Group for the proceeds from the exercise of the Warrants to be realised over the 5-year tenure; and
- (iv) the anticipated potential financial performance of the Group moving forward.

Based on the illustrative scenarios as set out in Section 11 of Part A of this Circular, the Exercise Price is assumed at an indicative Exercise Price of RM0.070 per Warrant D, being the indicative Issue Price of the Rights Shares. The issuance of the Rights Shares at a discount and the Warrants D at no cost is to attract shareholders to subscribe for the Rights Shares. As stated in (iii) above, fixing the Exercise Price of the Warrants D at the Issue Price of the Rights Shares should enable the Group to raise proceeds over the tenure of the Warrants D.

4.4 Minimum Subscription Level, undertakings and underwriting arrangements for the Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants is intended to be undertaken on a Minimum Subscription Level basis to raise minimum gross proceeds of RM10.0 million. The Minimum Subscription Level has been determined by the Board after taking into consideration the minimum level of funds that the Company requires to raise from the Proposed Rights Issue with Warrants for the proposed utilisation of proceeds as set out in Section 4.7 of Part A of this Circular.

Meridian has procured written undertakings dated 1 August 2022 and 4 August 2022 from Dato' Seth and Mr Tang respectively, to subscribe in full for their entitlements under the Proposed Rights Issue with Warrants and to apply and subscribe for additional Rights Shares with Warrants D not subscribed by other Entitled Shareholders and/or their renouncee(s) and/or transferee(s) by way of excess application, for an amount of up to RM5.0 million each.

As at LPD, Dato' Seth holds 32,195,199 Meridian Shares representing approximately 3.56% of the total issued share capital of Meridian (excluding treasury shares) and Mr Tang holds 100,000 Meridian Shares representing approximately 0.01% of the total issued share capital of Meridian (excluding treasury shares).

Dato' Seth and Mr Tang had confirmed in their Undertaking Letters that they have sufficient financial resources to subscribe for their entitlements under their Undertakings and such confirmations had been verified by Malacca Securities, being the Principal Adviser for the Proposed Rights Issue with Warrants.

The entitlements of Dato' Seth and Mr Tang under the Proposed Rights Issue with Warrants and the number of Rights Shares to be subscribed pursuant to the Undertakings, based on their shareholdings (direct interest) in the Company are as follows:-

	As at LPD		After Proposed Share Consolidation	
	No. of Shares	(a) (%)	No. of Shares	(b) (%)
Dato' Seth	32,195,199	3.56	8,048,799	3.56
Mr Tang	100,000	0.01	25,000	0.01

Rights Shares to be subscribed for pursuant to the Undertakings ^(c)						
Rights Entitlement			Excess Application		Total Undertaking	
No. of Rights Shares	(d) (%)	No. of Rights Shares	(d) (%)	No. of Rights Shares	(d) (%)	
Dato' Seth	40,243,995	28.17	31,184,577	21.83	71,428,572	50.00
Mr Tang	125,000	0.09	71,303,572	49.91	71,428,572	50.00

Notes:-

- (a) Based on 904,175,708 issued Shares of Meridian (excluding treasury shares) as at LPD.
- (b) Based on 226,043,927 Consolidated Shares (excluding consolidated treasury shares) after the Proposed Share Consolidation.
- (c) Assuming the Issue Price of RM0.070 per Right Share.
- (d) Based on 142,857,144 Rights Shares subscribed under the Minimum Subscription Level.

As the Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level, the Company does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s) pursuant to the Proposed Rights Issue with Warrants.

Pursuant to Paragraph 6.18(4) of the Listing Requirements, where the minimum subscription level is not achieved, the implementation of the rights issue of securities must be terminated and all consideration received will be immediately returned to all subscribers. As such, if the Minimum Subscription Level is not achieved by reason of the failure to fulfil the obligations under the Undertaking or for any other reason, the Company will not proceed with the implementation of the Proposed Rights Issue with Warrants. All subscription monies received pursuant to the Proposed Rights Issue with Warrants will be returned without interest as soon as practicable to the Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who have subscribed for their entitlements.

In the event that no other shareholders (save for Dato' Seth and Mr Tang) subscribe for the Rights Shares, the shareholdings of Dato' Seth and Mr Tang in Meridian will increase as follows:-

	(I)							
	As at LPD				After the Proposed Share Consolidation			
	Direct	(%) ^(a)	Indirect	(%)	Direct	(%) ^(b)	Indirect	(%)
Dato' Seth	32,195,199	3.56	-	-	8,048,799	3.56	-	-
Mr Tang	100,000	0.01	-	-	25,000	0.01	-	-

	(II)			
	After (I) and the Proposed Rights Issue with Warrants			
	Direct	(%) ^(c)	Indirect	(%)
Dato' Seth	79,477,371 ^(d)	21.54	-	-
Mr Tang	71,453,572 ^(e)	19.37		

Notes:-

- (a) Based on 904,175,708 issued Shares of Meridian (excluding treasury shares) as at LPD.
- (b) Based on 226,043,927 Consolidated Shares (excluding consolidated treasury shares) upon the completion of the Proposed Share Consolidation.
- (c) Based on 368,901,071 Shares after the Proposed Share Consolidation and Proposed Rights Issue with Warrants under the Minimum Subscription Level
- (d) Assuming the Issue Price of RM0.070 per Rights Share, based on 32,195,199 existing Meridian Shares held by Dato' Seth as at LPD and 8,048,799 Consolidated Shares to be held by Dato' Seth after the Proposed Share Consolidation, the Undertaking entails Dato' Seth to subscribe for his entitlement of 40,243,995 Rights Shares and 31,184,577 excess Rights Shares.
- (e) Assuming the Issue Price of RM0.070 per Rights Share, based on 100,000 existing Meridian Shares held by Mr Tang as at LPD and 25,000 Consolidated Shares to be held by Mr Tang after the Proposed Share Consolidation, the Undertaking entails Mr Tang to subscribe for his entitlement of 125,000 Rights Shares and 71,303,572 excess Rights Shares.

Based on the above, the Undertakings will not result in Dato' Seth and persons acting in concert with him and/or Mr Tang and persons acting in concert with him to trigger the obligation to undertake a mandatory general offer for all the remaining Meridian securities not already held by them in accordance with Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions.

For avoidance of doubt, the Undertakings do not preclude Dato' Seth and Mr Tang from subscribing for their entitlements and/or excess Rights Shares, to which all Meridian Shareholders are similarly entitled. Should all Meridian Shareholders subscribe for their respective entitlement for the Rights Shares, the shareholdings of Dato' Seth and Mr Tang in Meridian shall remain the same, upon completion of the Proposed Rights Issue with Warrants.

The Undertakings are not expected to result in any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

4.5 Ranking of the Rights Shares and new Shares to be issued arising from the exercise of the Warrants D

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing Meridian Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Rights Shares.

The new Meridian Shares to be issued arising from the exercise of the Warrants D shall, upon allotment and issuance, rank equally in all respects with the existing Meridian Shares, save and except that the new Meridian Shares to be issued arising from the exercise of the Warrants D shall not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new Meridian Shares.

4.6 Listing of and quotation for the Rights Shares, Warrants D, new Meridian Shares to be issued arising from the exercise of the Warrants D

Bursa Securities had vide its letter 21 November 2022, approved the listing and quotation of such number of Rights Shares, Warrants D and new Meridian Shares to be issued pursuant to the exercise of Warrants D as set out in Section 13 of Part A of this Circular, subject to the conditions as set out therein.

4.7 Utilisation of gross proceeds

4.7.1 Gross proceeds from issuance of Rights Shares

Based on the illustrative Issue Price of RM0.070 per Rights Share, the Group anticipates to raise maximum proceeds of approximately RM83.4 million from the Proposed Rights Issue with Warrants.

Minimum Scenario : Assuming:-

- (i) only Dato' Seth and Mr Tang subscribe for the Proposed Rights Issue with Warrants pursuant to their Undertakings to raise minimum gross proceeds of RM10.0 million;
- (ii) none of the treasury shares are resold in the open market prior to the Rights Entitlement Date; and
- (iii) none of the Warrants C are exercised prior to the Rights Entitlement Date.

Base Case Scenario : Assuming:-

- (i) all the Entitled Shareholders and/or their renouncees and/or transferees fully subscribe for their entitlements under the Proposed Rights Issue with Warrants;
- (ii) none of the treasury shares are resold in the open market prior to the Rights Entitlement Date; and
- (iii) none of the Warrants C are exercised prior to the Rights Entitlement Date.

Maximum Scenario : Assuming:-

- (i) all the Entitled Shareholders and/or their renouncees and/or transferees fully subscribe for their entitlements under the Proposed Rights Issue with Warrants;
- (ii) none of the treasury shares are resold in the open market prior to the Rights Entitlement Date; and
- (iii) 48,421,408 new Shares are issued arising from the exercise of Warrants C prior to the Rights Entitlement Date.

The gross proceeds to be raised from the Proposed Rights Issue with Warrants are envisaged to be utilised for the following purposes:-

Details of Utilisation	Notes	Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario	Base Case Scenario	Maximum Scenario
			RM'000	RM'000	RM'000
Repayment of bank borrowings	(a)	Within 1 year	3,000	18,000	18,000
Development and promotion of the Kuala Linggi Land	(b)	Within 3 years	5,000	45,000	45,000
Refurbishment of The Summit Bukit Mertajam Plaza	(c)	Within 3 years	-	6,291	6,291
General working capital	(d)	Within 3 years	800	8,624	12,861
Estimated expenses for the Proposals	(e)	Within 3 months	1,200	1,200	1,200
Total			10,000	79,115	83,352

Notes:-

(a) Repayment of bank borrowings

As at 31 October 2022, the total borrowings of Meridian Group are approximately RM17.5 million comprising RM3.7 million of term loan and RM13.4 million of overdrafts.

The Company proposes to utilise up to RM18.0 million of the proceeds (based on Base Case Scenario and Maximum Scenario) for the scheduled principal and interest repayment for the term loan as well as the overdrafts facilities. For information purposes, the effective interest rates per annum for the term loan and overdrafts ranges from 3.80% to 7.53%. Based on the aforementioned, the interest savings to be derived from the repayment of the Group's borrowings is approximately RM1.0 million per annum based on the average interest rate of 5.67%.

In the event the amount to be utilised for the repayment of bank borrowings are less than RM18.0 million under the Base Case Scenario and Maximum Scenario, such excess will be utilised for the general working capital of the Group.

The RM13.4 million of overdrafts are currently secured by the Kuala Linggi Land. It is the intention of the Group to utilise up to RM18.0 million to repay the borrowings (principal and interest) of the Group as the Group intends to renegotiate a comprehensive project financing with financial institutions to finance the cost of construction of the Malaysia Tourism City project.

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(b) Development and promotion of the Kuala Linggi Land

Meridian Group owns approximately 620.1 acres (approximately 250.9 hectares) of land at Kuala Linggi, Alor Gajah Melaka. In 2018, Meridian Group had put in place plans to develop its project called Malaysia Tourism City on the said land over three phases.

Phase 1 comprises the Phase 1 of Hasbro Water Park, a weekend market, a thematic adventure park and 114 units of vacation bungalows, called “The Estate”. The details of the Phase 1 components as at LPD are as follows:

Components	GDV	GDC	Commencement Date /	Expected Completion	Percentage of completion
			Expected Commencement		
	<i>RM' million</i>	<i>RM' million</i>			%
Phase 1 of Hasbro Water Park	-	102.5	Commenced December 2019 to March 2020/ To resume in February 2023	June 2025	0.4
Weekend market	-	31.5	Commenced December 2019 to March 2020/ To resume in March 2025 ^(a)	March 2026 ^(a)	5.5
Thematic adventure park	-	6.3	Commenced December 2019 to March 2020/ To resume in March 2024 ^(a)	March 2025 ^(a)	10.4
114 units of vacation bungalows	110.0	77.0	Commenced June 2019 to March 2020/ To resume in March 2023	March 2027	5.4
Total	110.0	217.3			

Note:-

- (a) Barring any unforeseen circumstances, the Group is of the view that the weekend market and thematic adventure park are expected to be completed within a year from the expected commencement date in view that the site clearance and earthwork which typically require longer time is near to completion as at LPD. In addition, the weekend market and thematic adventure park comprise low rise structures which are relatively simple to construct.

Meridian had launched the development of Malaysia Tourism City in May 2019. Based on initial plans, the Phase 1 of Hasbro Water Park, thematic adventure park and 114 units of vacation bungalow are expected to complete in March 2025 and weekend market is expected to be completed in March 2026. However, in view of the COVID-19 pandemic, banks' cautious stance on providing end-financing for certain property sectors and insufficient fund raised from the past fund-raising exercises, the Group had in 2020, decided to put on hold on the development of the Malaysia Tourism City in order to conserve its cash flows for its day-to-day operations.

The Group intends to build a Luasempit weekend market in Malaysia Tourism City project which shares a similar concept of "Chatuchak" in Thailand. It is proposed that the weekend market will occupy an area of 100 acres (approximately 40.5 hectares) with 40 acres (approximately 16.2 hectares) of lake within the Kuala Linggi Land. To draw the crowd, Luasempit weekend market is proposed to be thematic and developed with extensive landscaping, in anticipation that visitors will visit for photo moments. With the weekend market, the Group will be offering 3,000 stores (1,500 stores focusing on food and beverages and 1,500 stores focusing on Malaysian's crafts and arts) of about 100 square feet per store. In order to increase the popularity of the Luasempit weekend market, as at LPD, the Group had partnered with AirAsia, Matta, Traveloka, Dropee, Store & Send, G Future, DTR Group, StoreHub, iPay88 and Big Ledger in order to bring the crowd to Luasempit and to offer more convenient shopping experience to the customers i.e. cashless payments and delivery options. The RM31.5 million earmarked for the development of the weekend market comprise RM21.0 million for structure and mechanical works, RM3.8 million for landscaping, RM1.4 million for information technology infrastructure and RM5.3 million for external Infrastructure

Meridian Group had launched the sale of 114 units vacation bungalows in year 2020. Since then and up to LPD, Meridian Group had sold 25 units of the vacation bungalows. The sales of vacation bungalows are all to local purchasers as the Meridian Group has yet to commence sales activities overseas due to the COVID-19 pandemic.

Phase 2 comprises an eco-tourism park, a hotel and edu-tourism facilities and a further 366 units of vacation bungalows.

Phase 3 comprises a moto-tourism park, a shopping mall and entertainment centre, a convention centre, an aesthetic healthcare centre, second phase of the eco-tourism park, hotels, the Phase 2 of the Hasbro Water Park, a martial arts village, a medical centre and an aquarium.

The proceeds earmarked for the Kuala Linggi Land are intended to be utilised as follows:-

		Minimum Scenario		Base Case Scenario		Maximum Scenario	
			% of the total proceeds		% of the total proceeds		% of the total proceeds
		RM'000		RM'000		RM'000	
(i)	Development expenditure of the Hasbro Water Park	5,000	50.0	43,000	54.4	43,000	51.6
(ii)	Promotional activities for the Kuala Linggi Land	-	-	2,000	2.5	2,000	2.4
		5,000	50.0	45,000	56.9	45,000	54.0

The Group intends to finance the balance construction of the Hasbro Water Park via internally generated funds (i.e. proceeds from the sales of the vacation bungalows) and/or bank borrowings. The Group is optimistic that the affiliation of an international brand to the water park (via the Proposed Collaboration) will accelerate the sales of its vacation bungalows.

The estimated expenses for Phase 1 will include preliminary project costs (such as regulatory fees, consultants and professional fees), site clearance and earthworks, basic infrastructure costs (such as the cost of building of road, drainage, sewer, water pipes, Tenaga Nasional Berhad substation, sewerage treatment plant and water tank), as well as construction costs (such as cost of building the water park, weekend market, thematic adventure park, and the vacation bungalows).

The detailed breakdown of the GDC for the entire Phase 1 of Kuala Linggi Land is as follow:-

	GDC of Hasbro Water Park	GDC of other components of Phase 1 of Kuala Linggi Land	Total GDC of Phase 1
	RM'000	RM'000	RM'000
Regulatory fees	4,533	149	4,682
Consultants and professional fees	12,281	1,976	14,257
Site clearance and earthworks	10,154	6,456	16,610
Basic infrastructure costs	18,440	7,340	25,780
Construction costs	57,107	98,863	155,970
	102,515	114,784	217,299

It is the intention of the Group to focus its financial resources on the development of the Hasbro Water Park and 114 units of bungalow lots. In the event that the Group is able to derive internally generated fund from the sale of 114 units bungalow lots, the Group may consider to commence the development of the other components within Phase 1 of Kuala Linggi Land.

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For information, Meridian had in the past few years undertaken several fund-raising exercises for the development of the Kuala Linggi Land. The details of the utilisation of proceeds raised from the past fund-raising exercises for the development of Kuala Linggi Land are as follows:

Fund-raising exercise	Expected fund raised for development (a)	Actual fund raised and utilised for development (b)	Fund utilised for development which were being reallocated from other components / purposes (as set out in Section 7 of the Part A of this Circular) (c)	Shortfall (a – b – c)	Actual Utilisation
	RM'000	RM'000	RM'000	RM'000	
Private Placement 2018 (completed on 5 December 2019)	30,128	5,641	159	(24,328)	RM5.8 million had been utilised for the site clearance and earthwork (RM2.3 million), design and professional fee for the bungalow and weekend market (RM2.0 million), soil investigation for weekend market (RM0.6 million), basic structure of thematic adventure park (RM0.6 million) and completion of mock up unit for the single bed room bungalow (RM0.3 million)
Private Placement 2020 (completed on 28 May 2021)	25,500	-	4,050	(21,450)	RM4.1 million had been utilised for matters relating to the Kuala Linggi Land, such as payment of legal expenses (RM2.3 million) and payment of staff salary (RM1.8 million) incurred in connection with the development of the Kuala Linggi Land
Private Placement 2021 (completed on 29 December 2021)	12,950	1,965	76	(10,909)	RM2.0 million had been utilised for staffs salary in connection with the development of Kuala Linggi Land
	68,578	7,606	4,285	(56,687)	

The Group had obtained planning permission for the development of the Kuala Linggi Land and the land subdivision process has also been completed. As at LPD, the Group is in the midst of finalising the building plans in respect of the individual Phase 1 components of Malaysia Tourism City, for submission to the relevant authorities. Development orders for Phases 1 and 2 of the vacation bungalows have been obtained while the planning approval and development orders for the other Phase 1 components are in progress. The status of the approvals required for the development of the Kuala Linggi Land are as follows:-

Authority	Approval	Status
MPAG	Development Order	Approval obtained
MPAG	Building Plan	Application in progress for weekend market and Hasbro Water Park (Phase 1). The approvals for the remaining components have yet to be obtained.
MPAG	Road and drainage	Approval obtained
Pejabat Tanah Galian Melaka	Subdivision of land	Approval obtained
Indah Water Konsortium Sdn Bhd	Sewerage plant	Application in progress
Tenaga Nasional Berhad	Power supply	Application in progress
Syarikat Air Melaka Berhad	Water supply	Application in progress

The planning and development of Phase 2 and Phase 3 of Kuala Linggi Land shall follow after the development of Phase 1 has sufficiently progressed i.e. when the Hasbro Water Park and 114 units of vacation bungalows are completed and subject to the feedback from the public. For clarification, the commencement and completion date of Phase 2 and Phase 3 could not be ascertained, as these will be dependent on the progress of the development of Phase 1.

Any deviation in the amount allocated for development and promotion of the Kuala Linggi Land will be adjusted to/from the amount allocated for the working capital of the Group.

(c) Refurbishment of The Summit Bukit Mertajam Plaza

The Group has 133 stratified parcels of retail lots (124 parcels) and office lots (9 parcels) at The Summit Bukit Mertajam Plaza with a total build-up area of 49,120.9 sqm. As at LPD, the Group's retail lots and office lots are 4.86% tenanted (based on sqm) which generated an aggregate rental of RM1.2 million per annum. For information, the 121 parcels of retail lots and 9 office lots owned by Meridian Group are currently classified as investment properties and 3 parcels of retail lots are classified as inventories.

In anticipation of the upgrade of The Summit Bukit Mertajam Plaza, the Group plans to utilise RM1.6 million to renovate the 133 retail lots and office lots, equivalent to RM31.8 per square meter, which will comprise repainting works and basic refurbishment. With the planned renovation on the 133 retail lots and office lots, the Group is preparing itself to attract new tenants as and when The Summit Bukit Mertajam Plaza completes its upgrade.

For information, The Summit Bukit Mertajam Plaza (with an age of building approximately 25 years) has a total of 354 parcels of retail lots and 9 parcels of office lots with a total build-up area of 68,498.3 sqm. The remaining 230 parcels retail lots were sold and currently owned by third parties.

The detailed breakdown of the RM6.3 million of the proceeds to be utilised for the refurbishment of the Group's properties at The Summit Bukit Mertajam Plaza are as follows:-

Details	RM'000
Renovation cost for the Group's own retail lots and office lots	1,560
Contribution for The Summit Bukit Mertajam Plaza upgrade*	4,731
	6,291

Note:-

- * The Group had allocated RM4.7 million to be utilised for the contribution to the joint management body for upgrading works of The Summit Bukit Mertajam Plaza, which mainly consist of, amongst others, lift and escalator works, interior refurbishment and finisher and external façade and upgrading. The RM4.7 million was arrived at based on proportionate contribution from all lots owner:

$$\begin{array}{l} \text{RM7,885,682} \\ \text{(estimated refurbishment} \\ \text{cost)} \end{array} \quad \times 60\%^{**} \quad = \quad \text{RM4,731,409}$$

*** percentage of area owned by Meridian Group (without car park)*

Any deviation in the amount allocated for refurbishment of The Summit Bukit Mertajam Plaza will be adjusted to/from the amount allocated for the working capital of the Group.

(d) General working capital

Up to RM12.9 million proceeds earmarked for the general working capital of the Group are intended to be utilised as follows:-

	Minimum Scenario		Base Case Scenario		Maximum Scenario	
	RM'000	%	RM'000	%	RM'000	%
(i) Staff costs which include staff salary, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board	-	-	3,000	34.8	3,000	23.3
(ii) General administrative expenses such as rental, utilities, office maintenance, staff medical insurance, maintenance of property, plant and equipment, printing, stationeries, postages, travelling or transportation, staff amenities, websites maintenance, petty cash reimbursements, other office operating expenses, audit (internal and external), company secretary, share registrar, taxation, legal, listing, and corporate advisers	-	-	4,709	54.6	4,709	36.6
(iii) Payment to suppliers/trade creditors of Meridian Group	800	100.0	915	10.6	5,152	40.1
	800	100.0	8,624	100.0	12,861	100.0

For information, as at 31 October 2022, the total outstanding payable to suppliers/trade creditors are RM6.5 million. The ageing of the outstanding payable amount is as follows:-

	Total	Current	< 1 year	1 year – 3 years	3 years to 5 years	> 5 years
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	6,500	150	366	2,134	-	3,850

Based on the above, RM6.4 million of outstanding payable to suppliers/trade creditor has exceeded the credit term. For information, there is no interest being charged on the amount outstanding.

Any deviation in the allocation for each component of the general working capital as set out above will be adjusted to/from other components.

(e) Estimated expenses for the Proposals

The breakdown of the estimated expenses for Proposed Rights Issue with Warrants is illustrated below:-

Estimated expenses	RM'000
Professional fees ⁽ⁱ⁾	900
Fees to relevant authorities	200
Printing, despatch, meeting expenses and miscellaneous	100
Total	1,200

Note:-

- (i) Comprise estimated professional fees payable to the Principal Adviser, Independent Adviser, solicitors, company secretary and share registrar.

Any deviation in the actual expenses relating to the Proposals will be adjusted to/from the amount allocated for the working capital of the Group.

The proceeds in excess of the RM10.0 million under the Minimum Subscription Level are expected to be utilised up to their respective maximum allocations in the following order:-

- (i) estimated expenses for the Proposals;
- (ii) general working capital of the Group for an amount of RM0.5 million;
- (iii) repayment of bank borrowings;
- (iv) development and promotion of the Kuala Linggi Land;
- (v) refurbishment of The Summit Bukit Mertajam Plaza; and
- (vi) general working capital of the Group.

In the event the gross proceeds raised from the Proposed Rights Issue with Warrants are more than RM79.1 million (based on Base Case Scenario) and RM83.4 million (based on Maximum Scenario), all excess shall be utilised for the Group's general working capital.

The actual gross proceeds to be raised from the Proposed Rights Issue with Warrants is dependent on the final Issue Price and the number of Rights Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for the Group's general working capital.

Pending the utilisation of proceeds from the Rights Issue with Warrants, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board deems fit. The Company proposes to utilise such interest/profits arising from the deposits/financial instruments for the Group's working capital purposes as stated in note (d) above over a period of 3 years from the date of receipt of the proceeds.

4.7.2 Gross proceeds from exercise of Warrants D

The quantum of proceeds that may be received by the Company upon the exercise of the Warrants would depend on the actual number of Warrants D exercised. As such, the timeframe for utilisation of proceeds cannot be determined at this juncture.

The Company proposes to utilise the proceeds to be received from the exercise of the Warrants D as and when received in the following manner:-

<u>Proposed utilisation</u>	<u>Notes</u>	<u>% of proceeds received</u>
Property development activities	(a)	70%
Working capital	(b)	30%

Notes:-

- (a) The Company intends to utilise part of the proceeds for the Group's property development activities, which include acquisition or joint venture of new development projects as well as the development of the Kuala Linggi Land as set out in Note (b) of Section 4.7.1 of Part A of this Circular. The Company will make the necessary announcement(s) in accordance with the Listing Requirements and seek shareholders' approval (if required) as and when the Company identifies such opportunities.
- (b) The proceeds allocated for working capital are proposed to be utilised to finance the day-to-day operations of the Group's business including amongst others, payment to trade and other creditors, staff related costs such as salaries, bonuses, statutory contribution and welfare expenses and general administrative/operating expenses such as rental, utilities, telephone charges and sundry expenses. The actual utilisation may vary and is dependent on the Group's working capital requirements at that relevant point in time. Nonetheless, the Company proposes to utilise such proceeds received in the following manner:-

<u>Working capital</u>	<u>% of proceeds received</u>
Payment to trade and other creditors	50%
Staff related costs	40%
General administrative / operating expenses	10%

As the quantum and timing of proceeds could not be ascertained at this juncture, the Company intends to utilise the proceeds to be received from the exercise of the Warrants D proportionately in accordance with the aforementioned allocated percentage.

Pending the utilisation of proceeds from the exercise of Warrants D, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board deems fit. The Company proposes to utilise such interest/profits arising from the deposits/financial instruments for the Group's working capital purposes as stated in note (b) above over a period of 2 years from the date of receipt of the proceeds.

4.8 Indicative salient terms of the Warrants D

Terms	Details
Form	: The Warrants D will be constituted by the Deed Poll to be executed by Meridian.
Detachability	: The Warrants D are immediately detachable upon allotment and issue of the Rights Shares. The Warrants will be traded separately.
Exercise Price	: To be determined by the Board at a later stage on the price-fixing date. The Exercise Price and the number of outstanding Warrants D shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period (as defined below).
Tenure	: 5 years commencing on and including the date of issuance of Warrants D
Exercise Period	: The period commencing on and including the date of issuance of the Warrants and ending at the close of business at 5.00 p.m. in Kuala Lumpur, on the date preceding the 5th anniversary of the date of issuance, or if such is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day.
Exercise Rights	: The rights conferred on a Warrant D holder to subscribe for 1 new Meridian Share for each Warrant D at any time during the Exercise Period and at the Exercise Price subject to the Deed Poll.
Board Lot	: The Warrants D are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Meridian Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Ranking of Warrants D	: The Warrants D shall as between the Warrant D holders rank <i>pari passu</i> and rateably in all aspects amongst themselves.

Terms	Details
Ranking of new Meridian Shares to be issued pursuant to exercise of Warrants D	<p>The new Meridian Shares to be issued arising from the exercise of the Warrants D shall, upon allotment and issuance, rank equally in all respects with the existing Meridian Shares, save and except that the new Meridian Shares to be issued arising from the exercise of the Warrants D shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new Meridian Shares.</p>
Rights of the Warrant D holders in the event of winding up, liquidation, compromise and/or arrangement	<p>Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then:-</p> <ul style="list-style-type: none"> (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants (or some other persons designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and (ii) in any other cases, every Warrant D holder shall be entitled to exercise his/her Warrants D at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Shares to the Warrant D holder credited as fully paid subject to the prevailing laws, and such Warrant D holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if he/she had on such date been the holder of the new Shares to which he/she would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants D shall lapse and cease to be valid for any purpose.
Adjustments to the Exercise Price and/or the number of Warrants D	<p>Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants D in issue may be subject to adjustments by our Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants D, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll.</p>

Terms	Details
	<p>Any adjustment to the exercise price and/or number of Warrants must be done in full compliance with Paragraph 6.54(3)(b) of the Listing Requirements, which states that a deed poll or trust deed must not include any provision for changes to the number of shares received for the exercise or conversion of each convertible security or changes to the pricing mechanism for the exercise or conversion price of the convertible security, except where these changes are adjustments following capitalisation issues, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction exercises.</p>
Modification	<p>: The Company may, from time to time, subject to the terms and conditions of the Deed Poll, without the consent or sanction of the warrant holders, modify, amend or add to the Deed Poll, if such modification, amendment or addition made does not materially prejudice the interests of the Warrant D holders or is made to correct a manifest error or to comply with the prevailing laws of Malaysia.</p>
Listing	<p>: The Warrants D and new Meridian Shares to be issued from the exercise of the Warrants D will be listed on the Main Market of Bursa Securities.</p> <p>Approval will be obtained from Bursa Securities for the admission of Warrants D to the Official List of Bursa Securities and for the listing of and quotation for the Warrants D and new Meridian Shares to be issued from the exercise of the Warrants D on the Main Market of Bursa Securities.</p>
Governing Law	<p>: Laws of Malaysia</p>

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5. PROPOSED DIVERSIFICATION

The principal activity of Meridian is investment holding. Through its subsidiaries, the Company is principally involved in property development, construction, property investment, cultivation of oil palm and project management services.

The revenue and profit of the Group based on the audited consolidated financial statements for the FYE 31 December 2018, 18-months FPE 30 June 2020 and FYE 30 June 2021 and unaudited consolidated financial statements for FYE 30 June 2022 are as follows:-

Revenue

<u>Segments</u>	Audited			
	FYE 31 December 2018	18-months FPE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022
	RM'000	RM'000	RM'000	RM'000
Property development	1,726	16,923	20,727	12,792
Construction	7,669	-	9,600	-
Property investment	2,604	3,648	1,844	1,194
Others	^(a) 1,136	179	500	1,806
	13,135	20,750	32,671	15,792

Profit/(Loss)

<u>Segments</u>	Audited			
	FYE 31 December 2018	18-months FPE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022
	RM'000	RM'000	RM'000	RM'000
Property development	(31,447)	4,303	(743)	(384)
Construction	3,488	(5,261)	229	(431)
Property investment	13,274	3,882	5,667	(747)
Others	^(a) (8,586)	(1,956)	^(b) (14,218)	^(b) (10,747)
	(23,271)	968	(9,065)	(12,309)

Notes:-

- (a) Including revenue and profits from hotel operation which were discontinued in the FYE 31 December 2018 in view that the hotel operation was not generating profit.

For avoidance of doubt, the Group did not own any hotel during the aforementioned financial years. Nevertheless, the Group had managed the operation of the following hotel during the aforementioned financial years:

No.	Name of hotel and location	Years of operation	Revenue generated in the last financial year of operation (RM'000)
(aa)	The Summit Bukit Mertajam, Penang	17	508

- (b) The other segments comprise of investment holding, cultivation of oil palm and project management services. Generally, these segments generate minimal revenue and the overhead expenses at the holding company is recognised under this segment i.e. Directors' remunerations and staff costs, depreciation charges, administrative cost and finance charges.

During the FYE 30 June 2021, in addition to the aforementioned overhead expenses, the other segments also recognised impairment losses on receivables amounting to RM2.2 million as well as recognition of tax provision on expenses not deductible for tax purpose amounting to RM2.4 million.

During the FYE 30 June 2022, in addition to the aforementioned overhead expenses, the other segments also recognised a reversal of payable written-off amounting to RM5.2 million in relation to an amount owed to a former wholly-owned subsidiary. During FYE 30 June 2021, the former subsidiary had waived the amount owed by Meridian. However, subsequent to the waiver, Meridian had made a payment of RM5.2 million to settle a bank borrowing taken by the former subsidiary as Meridian is the corporate guarantor for the said bank borrowing. In view thereof, Meridian had reversed the payable written-off in FYE 30 June 2022 to offset the RM5.2 million bank borrowing settled by Meridian in view that Meridian is unable to collect the said amount from the former subsidiary which had since been wound up.

Despite the challenging property market since year 2018 due to elevating property overhang caused by mismatch between supply and demand, the Group remains cautiously optimistic on the property and tourism industry. Hence, the Group had decided to persevere with its longer-term perspective and proceed with the development of the Kuala Linggi Land to include a diversity of economic activities such as education, eco-tourism (agriculture), healthcare and mass tourism (water park, weekend market). The Group intends to diversify its revenue stream from different components of the Malaysia Tourism City.

As disclosed in Section 4.7.1(b) of Part A of this Circular, the Malaysia Tourism City will include, amongst others, the development of Hasbro Water Park, entertainment centre and hotel. In this respect, the Group wishes to diversify its principal activities to include leisure and hospitality as the Board expects these segments will contribute 25% or more of the net profits and/or result in diversion of 25% or more of the net assets of the Group going forward. In view of this, Meridian is seeking the approval from the shareholders of Meridian for the Proposed Diversification at the EGM to be convened pursuant to Paragraph 10.13(1) of the Listing Requirements. Notwithstanding the Proposed Diversification, the Group will continue with their existing business activities.

5.1 Key management overseeing Meridian's Malaysia Tourism City development

The following Director and personnel have been appointed by Meridian to spearhead and oversee the Malaysia Tourism City development:-

(i) *Dato' Seth - Executive Director / Chief Executive Officer*

Dato' Seth was appointed as an Executive Director of Meridian on 12 June 2018 and was subsequently redesignated as the Chief Executive Officer of Meridian on 31 July 2019.

A lawyer by training, Dato' Seth received his law degree from the University of Liverpool in 2001 and later gained admission to the English Bar at Lincoln's Inn. He read in chambers at Messrs. Skrine & Co. before being admitted to the Malaysian Bar on 25 June 2010.

His real estate expertise includes being the founder of Jotex Industries Sdn. Bhd., a property investment firm and M101.

In addition to his property sector experience, he also has 5 years of experience in the hospitality industry from year 2017 to year 2021, which includes operating and managing hotels and Airbnb, as well as food and beverages businesses.

He gained knowledge and experience through his involvement in the real estate industry since 2004 as well as his legal background. Dato' Seth is also passionate about promoting property tourism in the country and aims to focus his property development activities in this niche area.

(ii) *Mr Ng - Group Project Manager, Head of Project Development Department*

Mr Ng joined Meridian as the Head the Project Development Department on 13 June 2018.

He graduated with a Bachelor Honour of Electrical & Electronic Engineering Degree from University of Lincoln, United Kingdom.

He was the Senior Project Manager of M101 since year 2015 and was subsequently promoted to Group Project Manager in year 2017. He was actively involved in all M101 projects, with total gross development value exceeding RM1 billion. Since joining Meridian, he has led all the Group's development projects.

Mr Ng has over 20 years of project management experience in the property development industry and construction management experience particularly in high-rise residential, large-scale factories and mall construction. Prior to joining M101 and Meridian, he was a Mechanical & Electrical designer with a consultancy firm in Penang.

6. PROPOSED ESOS

The Proposed ESOS entails the establishment of a Scheme which involves granting of ESOS Options to the Eligible Persons, in accordance with the By-Laws governing the Proposed ESOS. The Options granted under the Proposed ESOS shall entitle the Grantee to subscribe for Meridian Shares at the Options Exercise Price to be determined at a later date, subject to the terms and conditions of the By-Laws.

The Proposed ESOS shall be administered by the ESOS Committee. The ESOS Committee shall have the absolute discretion in administering the Proposed ESOS as it deems fit, in accordance with the provisions set out in the By-Laws. The decision as to whether or not to stagger the allocation of the ESOS Options over the duration of the Scheme as well as for the granting of ESOS Options, shall be determined by the ESOS Committee at a later date.

The salient features of the Proposed ESOS are set out in the ensuing sections.

6.1 Maximum number of new Shares available under the Proposed ESOS

The maximum number of new Shares to be allotted and issued arising from the exercise of the Options which may be granted under the Proposed ESOS shall not exceed 15% of the Company's total number of issued Shares (excluding treasury shares, if any) at any point of time during the duration of the Scheme.

Notwithstanding the above or any other provision contained in the By-Laws, in the event that the maximum number of new Shares to be issued arising from the exercise of the Options granted under the Scheme exceeds the Maximum ESOS Limit as a result of the Company purchasing its own Shares in accordance to Section 127 of the Act, or the Company undertaking any other corporate proposal and thereby exceeding the Maximum ESOS Limit, then,

- (i) such Options granted prior to the adjustment of the Company's total number of issued shares (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of the By-Laws; and
- (ii) no further Options shall be offered until the total number of new Shares to be issued arising from the exercise of the Options granted or to be granted under the ESOS falls below the Maximum ESOS Limit.

6.2 Basis of allocation and maximum allowable allotment

The aggregate maximum number of new Shares which may be made available under the Proposed ESOS shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors, the Eligible Person's designation, ranking, seniority, performance, length of service, contribution, employment grade and potential contribution to the continued success of Meridian Group and/or such other factors as the ESOS Committee may deem relevant, and subject to the following conditions:

- (i) the aggregate number of new Shares to be issued arising from the exercise of the Options granted under the Proposed ESOS shall not exceed the Maximum ESOS Limit;
- (ii) the directors and senior management of Meridian Group (excluding dormant subsidiaries) do not participate in the deliberation or discussion of their own allocation of ESOS Options;
- (iii) the allocation to an Eligible Person who, either singly or collectively through persons connected with such Eligible Person, holds 20% or more of the number of issued shares (excluding any treasury shares) of the Company, does not exceed 10% of the total number of new Shares to be issued under the Proposed ESOS;
- (iv) not more than 80% of the total number of new Shares to be issued under the Scheme shall be allocated, in aggregate, to the directors and senior management of the Group (excluding dormant subsidiaries). As at LPD, the Group has not decided on the breakdown between directors and senior management and as such, will not be seeking specific allocation to directors of the Group at the forthcoming EGM; and
- (v) any performance target to be achieved before the ESOS Options can be granted and/or exercised by an eligible director or employee of the Group shall be determined by the ESOS Committee,

provided always that it is in accordance with the Listing Requirements or any prevailing requirements/guidelines issued by Bursa Securities, or any other requirements of relevant authorities as amended from time to time.

The actual number of ESOS Options which may be offered to any Eligible Person shall be at the discretion of the ESOS Committee.

6.3 Eligibility

Subject to the discretion of the ESOS Committee, only Eligible Persons who fulfils the following criteria as at the Date of Offer shall be eligible to participate in the Proposed ESOS:

- (i) the director or employee shall have attained the age of 18 years on the Date of Offer and neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (ii) if an employee or executive director, he/she must have been employed by the Group (excluding dormant subsidiaries) and his/her employment as an Eligible Person must have been confirmed on the Date of Offer, irrespective of whether he/she was transferred to a subsidiary within the Group (excluding dormant subsidiaries), in which case he/she must have been a confirmed employee in that subsidiary within the Group (excluding dormant subsidiaries), employed on a full-time basis and has not served a notice to resign nor received a notice of termination;
- (iii) if a non-executive director, he/she must have been appointed and remain appointed as a director of the Group (excluding dormant subsidiaries), as at the Date of Offer;
- (iv) if the director or employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary upon such acquisition, the said Director or employee must become an Eligible Person within the meaning of the By-Laws following the date that such company becomes or is deemed to be a subsidiary of the Group; and/or
- (v) they must fulfil such other eligibility criteria as may be determined by the ESOS Committee from time to time.

The Eligible Person must fulfil any other criteria and/or fall within such category/designation of employment as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding. Notwithstanding the above, the ESOS Committee may, in its absolute discretion, waive any of the conditions of eligibility set out above.

The eligibility for consideration under the Proposed ESOS does not confer an Eligible Person a claim or right to participate in the Proposed ESOS unless the ESOS Committee has made an offer in writing to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the By-Laws.

The Group is of the view that granting of the ESOS Options will not affect the Independent Non-Executive Directors in exercising their independent judgement as the Independent Non-Executive Director are prohibited in selling, transferring or assigning his/her Shares obtained through exercise of the Options within 1 year from the Date of Offer in accordance with Paragraph 8.20 of the Listing Requirements. The Group will also ensure the number of ESOS Options to be granted to Independent Non-Executive Directors will not affect their independent judgement and the Independent Non-Executive Director will be required to abstain from deliberating on any allocation of ESOS Options to themselves respectively.

In accordance with the Listing Requirements, specific allocations of ESOS Options to any of the Company's directors, chief executive officer, employee who is a major shareholder and/or persons connected with them must be approved by Meridian Shareholders in a general meeting.

6.4 Duration of the Scheme

The Proposed ESOS, when implemented, shall be in force for a period of 5 years from the Effective Date of the Proposed ESOS and may be extended for such further period after the date of expiration of the original 5 years period, at the absolute discretion of the Board upon the recommendation by the ESOS Committee, provided always that the initial Scheme period stipulated above and such extension of the Proposed ESOS made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years or such other period as may be prescribed by Bursa Securities or any other relevant authorities from the Effective Date ("**Date of Expiry**").

Any extended Scheme shall be implemented in accordance with the terms of the By-Laws, subject however to any revisions and/or changes to the relevant statutes, laws and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the Proposed ESOS. In the event the Proposed ESOS is extended, the Company shall serve appropriate notices on each Grantee within 30 days prior to the Date of Expiry.

6.5 Retention period

The Shares issued and/or transferred to a Grantee (save for an Eligible Person who is a non-executive director) arising from the exercise of the Options under the Proposed ESOS will not be subjected to any retention period or restriction on transfer. The Grantees are encouraged to hold the Shares as a long-term investment and not for any speculative and/or realisation to yield a profit. Notwithstanding the foregoing, the ESOS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restriction on transfer as it deems fit.

Notwithstanding the above, pursuant to Paragraph 8.20 of the Listing Requirements, a Grantee who is a non-executive director of any company within the Group (excluding dormant subsidiaries) must not sell, transfer or assign his/her Shares obtained through the exercise of the Options offered to him/her pursuant to the ESOS within 1 year from the Date of Offer of such Options or such period as may be prescribed by Bursa Securities.

6.6 Options Exercise Price

Subject to any adjustment made in accordance with the By-Laws and pursuant to the Listing Requirements, the Options Exercise Price shall be based on the price to be determined by the Board upon recommendation of the ESOS Committee based on the 5-day VWAMP immediately preceding the Date of Offer, with a discount of not more than 10% during the duration of the Scheme.

6.7 Ranking of new Shares to be issued from the exercise of the Options

The new Meridian Shares to be issued arising from the exercise of the Options shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the new Meridian Shares to be issued arising from the exercise of the Options shall not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new Meridian Shares.

6.8 Listing and quotation of the new Shares to be issued from the exercise of the Options

Bursa Securities had vide its letter 21 November 2022, approved the listing and quotation of up to 15% of new Shares to be issued arising from the exercise of the Options under the Proposed ESOS as set out in Section 13 of Part A of this Circular, subject to the conditions as set out therein.

6.9 Rights of Grantee

The ESOS Options shall not carry any right to vote at any general meeting of the Company or to participate in any dividends, rights, allotments or any other form of distributions that may be declared, made or paid, or offer of further securities in the Company unless and until the Grantee becomes a shareholder of the Company by exercising the ESOS Options.

6.10 Alteration of capital

In the event of an alteration in the share capital of the Company during the duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Meridian Shares or reduction or any other variation of capital, Meridian shall cause such adjustment to be made to the number of ESOS Options granted to each Grantee (excluding the ESOS Options already exercised) and/or the Options Exercise Price, to ensure that the capital outlay to be incurred by the grantee in subscribing for the same proportion of new Shares to which the grantee was entitled to prior to the event giving rise to such adjustments shall remain unaffected.

6.11 Modification, variation and/or amendment to the Proposed ESOS

Subject to the By-Laws and compliance with the Listing Requirements and the approvals of any other authorities (if required), the ESOS Committee may at any time and from time to time recommend to the Board any modification, variation and/or amendment of the By-Laws as it shall at its discretion deems fit and the Board shall have the power at any time and from time to time by resolution to make any modification, variation and/or amendment of the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities (within 5 market days after the effective date of the modification, variation and/or amendment of the By-Laws or such other period as may be prescribed by Bursa Securities or any other relevant authorities) each time any modification, variation and/or amendment is made, stating that the said modification, variation and/or amendment is in compliance with the provisions of the Listing Requirements pertaining to the Proposed ESOS and the Rules of Bursa Depository.

The approval of Meridian Shareholders in general meeting shall not be required in respect of the modification, variation and/or amendment of the By-Laws provided that no modification, variation and/or amendment made to the By-Laws which would:

- (i) materially prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee;
- (ii) increase the number of Shares available under the Proposed ESOS beyond the Maximum ESOS Limit;
- (iii) prejudice any rights of the shareholders of the Company; and
- (iv) alter to the advantage of an Eligible Person and/or Grantee(s) in respect of any matters which are required to be contained in the By-Laws unless allowed by the provisions of the Listing Requirements.

6.12 Termination of the Proposed ESOS

Notwithstanding anything set out in the By-Laws and subject always to compliance with the Listing Requirements and any other relevant rules or requirements, the Proposed ESOS may be terminated by the Company at any time before its expiry without obtaining the approvals or consents from the Grantees or its shareholders. The Company shall provide notice of termination to all the Grantees to allow the Grantees 14 days from date of notice of termination to exercise all outstanding ESOS Options which have yet to be exercised. The Company shall also on the date of the notice of termination make an announcement to Bursa Securities in relation to the termination of the ESOS which shall include the effective date of termination, reasons for termination and any other information required pursuant to the Listing Requirements.

In the event of such termination:-

- (i) no further Offers shall be made by the ESOS Committee from the termination date;
- (ii) all Offers which have yet to be accepted by Grantees shall automatically lapse on the termination date; and
- (iii) all outstanding ESOS Options which have yet to be exercised by the Grantees and/or vested shall be automatically terminated and be null and void on the termination date.

6.13 Utilisation of proceeds

The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the Options Exercise Price payable upon the exercise of the ESOS Options. As such, the actual amount of proceeds arising from the exercise of the ESOS Options as well as the timeframe for the utilisation of proceeds cannot be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the ESOS Options as working capital for the Group. The working capital raised from the exercise of the ESOS Options will be utilised to finance the Group's day-to-day operations, including payment of staff salaries as well as defrayment of operational and administrative expenses, such as maintenance costs, marketing expenses, transportation costs and utilities. The actual funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of ESOS Options as well as the working capital requirements of the Group at the relevant time.

Pending the utilisation of proceeds raised as and when the ESOS Options are exercised, such proceeds will be placed in deposits with financial institutions or short-term money market instruments as the Board deems fit.

7. OTHER FUND-RAISING EXERCISES IN THE PAST 5 YEARS

7.1 Private Placement 2018

On 7 December 2018, the Company had announced to undertake a private placement of up to 10% of the total number of issued shares of Meridian and shares issuance of up to 10% of the total number of issued shares of Meridian.

A total of 96,598,300 Shares had been issued and allotted pursuant to the Private Placement 2018, details of which are as follows:-

No.	Date of allotment	Number of Shares being issued	Issue Price	Total Proceeds
			RM	RM'000
1.	13 September 2019	31,100,000	0.080	2,488
2.	16 October 2019	25,380,000	0.070	1,777
3.	3 December 2019	40,118,300	0.065	2,608
				6,873

As at LPD, the proceeds from the Private Placement 2018 were fully utilised as follows:-

Purpose	Proposed utilisation of proceeds	Actual utilisation	Balance to be utilised
	RM'000	RM'000	RM'000
Property development activities	5,641	5,800	(159)
Working capital	936	936	-
Estimated expenses for the Proposed Private Placement	296	137	(a)159
	6,873	6,873	-

Note:-

(a) The excess had been allocated to property development.

7.2 Private placement 2020

On 27 November 2020, the Company had announced to undertake a private placement of up to 30% of the total number of issued shares of Meridian Berhad ("**Private Placement 2020**").

A total of 173,877,057 Shares had been issued and allotted pursuant to the Private Placement 2020, details of which are as follows:-

No.	Date of allotment	Number of Shares being issued	Issue Price	Total Proceeds
			RM	RM'000
1.	23 April 2021	40,000,000	0.1500	6,000
2.	27 May 2021	133,877,057	0.1072	14,352
				20,352

As at LPD, the proceeds from the Private Placement 2020 were fully utilised as follows:-

Purpose	Proposed utilisation of proceeds	Actual utilisation	Balance to be utilised
	RM'000	RM'000	RM'000
Property development activities	-	4,050	(4,050)
Repayment of borrowings	19,002	(a)11,505	(b)7,497
Working capital	-	4,561	(4,561)
Estimated expenses for the Proposed Private Placement	1,350	236	(b)1,114
	20,352	20,352	-

Note:-

- (a) The proceeds raised from the Private Placement 2020 had initially been planned for the full repayment of a bank borrowing which had been previously drawn down as working capital of the Group. In view that the final redemption amount is eventually only RM11.5 million as the difference were repaid via internally generated funds prior to the final redemption, due to the timing of receipt of the proceeds from the Private Placement 2020. As such, the balance had been utilised for property development activities and working capital of the Group, the details of which are set out in the utilisation of proceeds in the circular for the Private Placement 2020 dated 21 December 2020.
- (b) The excess had first been utilised for property development activities for the payment of legal expenses (RM2.3 million) and payment of staff salary (RM1.8 million) incurred in connection with the development of the Kuala Linggi Land, and the balance was then subsequently utilised as working capital of the Group.

7.3 Private Placement 2021

On 19 November 2021, the Company had announced to undertake a private placement of up to 20% of the total number of issued shares of Meridian.

A total of 150,695,909 Shares had been issued and allotted pursuant to the Private Placement 2021 at an issue price of RM0.0571 per Share which raised total gross proceed of RM8.6 million.

As at LPD, the proceeds from the Private Placement 2021 were fully utilised as follows:-

Purpose	Proposed utilisation of proceeds	Actual utilisation	Balance to be utilised
	RM'000	RM'000	RM'000
Property development activities	1,965	2,041	(76)
Working capital	6,500	6,500	-
Estimated expenses for the Private Placement 2021	140	64	(a)76
	8,605	8,605	-

Note:-

- (a) The excess had first been allocated to working capital, which was then subsequently allocated to property development activities due to insufficient fund for the property development activities.

As set out in Sections 7.1 to 7.3 above, all proceeds raised from Meridian Group's fund-raising exercises in the past 5 years had been fully utilised as proposed.

8. RATIONALE OF THE PROPOSALS

8.1 Proposed Collaboration

The Proposed Collaboration presents an opportunity for the Group to utilise the Licensed Property, to develop and operate the Hasbro Water Park at Malaysia Tourism City. The collaboration will enable the Group to design and build the Hasbro Water Park incorporating features related to the Hasbro brand, which is international renowned. The Group is confident that the Proposed Collaboration will significantly increase the interest and profile of the Malaysia Tourism City.

Upon commencement of the Hasbro Water Park, the Group will be able to derive an additional recurrent income stream through ticket and merchandise sales.

8.2 Proposed Share Consolidation

The Proposed Share Consolidation is part of Meridian's capital management plan to improve the Company's capital structure as well as to facilitate the Proposed Rights Issue with Warrants.

Following the completion of the Proposed Share Consolidation, the market price of each Meridian Share will increase by 4 times and the total number of Meridian Shares in issue will be reduced by the corresponding ratio. The Consolidated Shares in total will bear the same value as the existing Meridian Shares prior to the Proposed Share Consolidation.

The higher share price resulting from the Proposed Share Consolidation will accord the Company greater flexibility in fixing the Issue Price of the Rights Shares.

8.3 Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants will enable the Company to raise funds for the proposed utilisation as set out in Section 4.7 of Part A of this Circular.

Since the commencement of the COVID-19 pandemic, the Government of Malaysia had implemented several measures to reduce and control the spread of COVID-19 in Malaysia. Such measures include restriction of international/inter-state/district travels, social gatherings and business gatherings. The business operations of the Meridian Group, which is primarily involved in the property industry, have been interrupted by these measures. Nevertheless, the Group had continuously revamped and adapted to such measures introduced since the commencement of the COVID-19 pandemic.

Whilst Meridian Group remains cautiously optimistic on the property and tourism industry, the Group has decided to persevere with its longer-term perspective and proceed with the development of the Kuala Linggi Land. As stated in Section 4.7 of Part A of this Circular, Meridian Group proposes to develop the Kuala Linggi Land to include a diversity of economic activities such as education, eco-tourism (agriculture), healthcare and mass tourism (water park, weekend market).

Meridian Group believes the vast diversity of its planned development on the Kuala Linggi Land should provide greater income stability for Meridian Group. Moving forward, Meridian Group believes the Kuala Linggi Land should be its catalyst for growth and contribute positively to the future earnings of Meridian Group.

After due consideration, the Board is of the opinion that the Proposed Rights Issue with Warrants is the most suitable means of fund raising for the Company for the following:-

- (i) the quantum of the proceeds to be raised;
- (ii) it will involve the issuance of new Meridian Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and exercise their Warrants D subsequently;
- (iii) it provides an opportunity for the Entitled Shareholders to participate in the equity offering of the Company on a pro-rata basis; and
- (iv) it will enable the Company to raise the requisite funds without incurring additional interest expense from bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing costs.

For information, the Board had considered the following fund-raising options to raise fund for the Proposals prior to deciding on the Proposed Rights Issue with Warrants:

No.	Fund-raising options	Consideration
(i)	Private placement	In view that Meridian Group was unable to raise the requisite funds required from the past few private placements due to the declining Meridian Share price, as well as the amount of funds required to be raised for the Proposals, the Board had decided not to pursue with this option.
(ii)	Bank borrowings	The Group intends to procure bank borrowings for the development of the Kuala Linggi Land. Nevertheless, financial institutions will require for Meridian Group to demonstrate their financial commitment to the project before agreeing to finance the balance project. The funds earmarked for the project pursuant to the Proposed Rights Issue with Warrants thus represents Meridian Group's financial commitment to the project.
(iii)	Advances Undertaking Shareholders	from Whilst the Board had considered taking advances from the Undertaking Shareholders who are Executive Directors of Meridian, such measures are short term in nature and such advances will need to be repaid upon demand at the material time. The Proposed Rights Issue with Warrants thus represents a more comprehensive proposal to address Meridian Group's funding needs and will be undertaken on a pro-rata basis to all shareholders.

The free Warrants D which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares. In addition, the free Warrants D will provide the Entitled Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined Exercise Price during the tenure of the Warrants D and will allow the Entitled Shareholders to further participate in the future growth of the Company as and when the Warrants D are exercised. The exercise of the Warrants D in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings.

8.4 Proposed Diversification

As mentioned in Section 8.3 of Part A of this Circular, whilst Meridian Group remains cautiously optimistic on the property and tourism industry, the Group has decided to persevere with its longer-term perspective and proceed with the development of the Kuala Linggi Land to include a diversity of economic activities such as education, eco-tourism (agriculture), healthcare and mass tourism (water park, weekend market). In this respect, the Group wishes to diversify its principal activities to include leisure and hospitality as the Board expects these segments will contribute 25% or more of the net profits and/or result in diversion of 25% or more of the net assets of the Group. In particular, the cumulative construction cost of the Hasbro Water Park is expected to exceed 25% of the net assets of the Group during the FYE 30 June 2024.

For information, the Group had launched the development of Malaysia Tourism City in May 2019. As Meridian Group had yet to finalise on the partners / joint ventures for each component of the Malaysia Tourism City, the Proposed Diversification was not sought then. Meridian had decided to seek shareholders' approval for the Proposed Diversification at the forthcoming EGM as Meridian will be involved in the operations of the Hasbro Water Park moving forward, pursuant to the License Agreement.

8.5 Proposed ESOS

The implementation of the Proposed ESOS primarily serves to align the interests of the Eligible Persons to the corporate goals of Meridian Group. The Proposed ESOS will provide the Eligible Persons with an opportunity to have equity participation in Meridian and help achieve the positive objectives as set out below:

- (i) to provide an incentive to drive and motivate the Eligible Persons towards better performance, and work towards achieving the goals and objectives of the Group in order to drive the growth of the Group;
- (ii) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of the Group;
- (iii) to align the interests of the Eligible Persons, including management personnel of the Group, with the interests of the shareholders via direct participation in the equity of the Company; and
- (iv) to retain the Eligible Persons by giving the Eligible Persons a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company and thereby providing an incentive for the Eligible Persons to participate in the future growth of the Group and motivate them towards better performance through greater productivity and loyalty.

The non-executive directors are also eligible to participate in the Proposed ESOS in order to recognise the contributions and efforts made by the non-executive directors as they play an important role to the Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive directors of the Company, who will assist in the overall strategic decisions and directions of the Group.

Further, any proceeds to be received by the Company pursuant to the exercise of the Options will be utilised for the Company's working capital purposes as set out in Section 4.7.1 of Part A of this Circular.

8.6 Value creation and impact of the Proposals to the Group and Meridian shareholders

The Proposed Share Consolidation will reduce the number of Shares available in the market and correspondingly, increase the reference / trading prices of Meridian Shares which may enhance the profile and corporate image of the Company which could indirectly making the Shares more attractive and may reduce the volatility of the trading price for the Meridian Shares.

The Proposed Rights Issue with Warrants should enable the Company to raise the requisite funds without incurring interest expense, thereby minimising future cash outflow in respect of interest servicing. The Proposed Rights Issue with Warrants serves to strengthen the financial position of the Meridian Group and capital base of the Company.

Upon completion of the Proposed Rights Issue with Warrants, Meridian Shareholders' shareholdings in Meridian may be diluted (should they not subscribe for their entitlements under the Proposed Rights Issue with Warrants) and Meridian's earnings per Share will be diluted as a result of the increase in the number of Shares arising from the Proposed Rights Issue with Warrants.

Moving forward, Meridian Group believes that the Proposed Rights Issue with Warrants is expected to contribute positively to Meridian's consolidated earnings in the future as and when the proposed development on the Kuala Linggi Land generates returns.

The Proposed Diversification is intended to facilitate the Group's foray into the leisure and hospitality businesses. The Board believes that through the Proposed Diversification, the Group will be able to expand the earnings of the Group via the new businesses.

8.7 Steps or actions which have been taken/will be taken to improve the financial condition of the Group

Since the commencement of the COVID-19 pandemic, the Group has undergone a cost rationalisation exercise and had, amongst others, streamlined its operations and enforced a temporary freeze on hiring positions for resigned staff which had resulted in savings of staff costs of approximately RM1.4 million per annum. As at LPD, the Group has still in force a temporary freeze on hiring positions for resigned staffs for non-critical area. Notwithstanding, the Group expects hiring for critical positions to increase in quarter 1 of calendar year 2023 as the Group will require more personnel to oversee the development of the Kuala Linggi Land.

The Group had also discussed with its suppliers and creditors to extend credit periods (from 120 days to 150 days) in order to conserve cashflow while closely monitoring and following up on collection of trade receivables.

Meridian had in the past few years undertaken several fund-raising exercises which had strengthened the Group's financial position, albeit not substantially as a result of shortfall in the proceeds raised. Through the fund-raising exercises as well as internally generated funds, the Group was able to reduce its bank borrowings to RM17.5 million as at 30 June 2022 (audited 31 December 2018: RM38.2 million). This had helped to reduce the Group's finance costs and will allow the Group to preserve its cash flow for the Group's existing operations. As at 31 October 2022, the Group is in an overdraft position comprising RM13.4 million of overdrafts and cash and bank balance of RM1.3 million.

8.8 Adequacy of the Proposals in addressing Meridian Group's financial concerns

The proceeds from the Proposed Rights Issue with Warrants are primarily for the development of Malaysia Tourism City and repayment of bank borrowings. The proceeds from the Proposed Rights Issue with Warrants will not be sufficient to meet the Group's funding requirements in the long-term or immediately turn around the Group's financial performance.

However, Meridian Group believes with the commencement of the Hasbro Water Park in the Malaysia Tourism City by using the proceeds from the Proposed Rights Issue with Warrants, it will enable the Meridian Group to drive the sales of the vacation bungalows. The Group believes that the affiliation with an international brand for the Hasbro Water Park, will attract purchasers for the vacation bungalows at the Kuala Linggi Land.

The proposed development of Malaysia Tourism City is expected to contribute positively to the earnings and financial performance of the Company once it begins to generate return and the Proposed Diversification is required to facilitate the recognition of revenue from the new income stream from the water park and hospitality businesses. Barring any unforeseen circumstances, the Group is expected to start recognising revenue from the Hasbro Water Park and hospitality business in the FYE 30 June 2026 and FYE 30 June 2027 respectively.

9. INDUSTRY OVERVIEW AND PROSPECTS

9.1 Overview and outlook of the Malaysian economy

Malaysia's GDP in 2021 rebounded with 3.1% growth from a decline of 5.6% in 2020, mainly driven by continued policy support, improved domestic demand and robust exports performance. The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%), underpinned by the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for electrical and electronic ("E&E") products. In terms of economic activity, the services and manufacturing sectors continued to drive growth.

The services sector expanded by 16.7% (2Q 2022: 12.0%) as consumer-related subsectors such as retail and leisure-related activities continued to recover amid the transition to endemicity, reopening of the international borders, improving labour market conditions and the additional support from policy assistance. Strong expansion was also seen in business related activities such as transport and storage due to higher air passenger traffic and tourist arrivals. Additionally, the information and communication subsector provided further support to growth following greater usage of e-commerce services.

The manufacturing sector expanded by 13.2% (2Q 2022: 9.2%), supported by both the export and domestic-oriented industries. The effect of global supply disruptions was partly mitigated, as manufacturers were able to implement proactive measures to cushion the impact such as building inventory buffers through advance bookings and using alternative modes of transportation. The E&E cluster continued to record double-digit growth driven by global demand for semiconductors. The consumer product cluster grew at a faster pace, supported by strong domestic spending activities. In particular, the motor vehicle and transport equipment segment ramped up production to meet order backlogs and fulfil demand as orders accelerated ahead of the expiration of Sales and Services Tax exemption on 30 June 2022. However, growth in the primary-related cluster moderated as the production of selected pandemic-induced products such as rubber gloves continued to normalise.

The construction sector expanded by 15.3% (2Q 2022: 2.4%). Large commercial and industrial projects as well as small-scale projects continued to support activity in the non-residential and special trade subsectors. Meanwhile, the slower progress in infrastructure projects led to subdued growth in the civil engineering subsector. The mining sector rebounded by 9.2% (2Q 2022: -0.5%), supported by higher production from oil and gas fields such as the Pegaga gas field in Block SK320 located in offshore East Malaysia. Lastly, the agriculture sector increased by 1.2% (2Q 2022: -2.4%). During the quarter, production in livestock and other agriculture subsectors were affected by rising input costs particularly for animal feed and fertiliser. The higher oil palm output led by receding labour shortages and improved yields saw to the recovery in agriculture sector.

In 2022, the Malaysian economy is projected to register growth of 5.5% to 6.5%, supported by significant improvement in global trade, stabilised commodity prices, containment of the pandemic, and gradual improvement in consumer and business sentiments. Almost all economic sectors are projected to expand on the supply side, led by the services and manufacturing sectors. The services sector will benefit from the pent-up demand, following increased business and consumer confidence as the nation records a high national vaccination rate. The normalisation of economic activities underpinned by mass vaccination is anticipated to boost wholesale and retail trade subsector and domestic tourism-related activities. The projected higher volume of manufactured products is also in line with the expected rising demand from export- and domestic-oriented industries.

Nevertheless, the downside risks to the growth outlook remain and stem from the emergence of new COVID-19 variants of concern, continued disruption in global supply chains, labour shortages, as well as higher-than-expected cost and price pressures weighing on consumer and business sentiments.

(Source: Independent Market Research Report, Protégé Associates Sdn Bhd)

9.2 Overview and outlook of the Malaysian property market

The Malaysian economy expanded by 14.2% in Q3 2022 against a low base of 8.9% recorded in the preceding quarter. Domestic demand continued to strengthen, supported by the steady recovery in labour market conditions and ongoing policy support. The higher growth was also reflective of normalising economic activity as the country moved towards endemicity and the reopening of international borders. Exports remain supported by strong demand for E&E products.

On a similar track to the country's economic growth, the property market recorded more transactions in the first half of 2022 ("H1 2022") as compared to the same period last year ("H1 2021").

Several initiatives outlined under Budget 2022 by the government to a certain extent helped improve property market activities. These are:

- (i) RM1.5 billion allocation for low-income groups housing projects i.e. rumah mesra rakyat and maintenance assistance programmes.
- (ii) Lifting the imposition of Real Property Gains Tax on the disposal of properties in the 6th year onwards by Malaysian citizens, permanent residents and other than companies.
- (iii) Guarantees of up to RM2 billion to banks via Skim Jaminan Kredit Perumahan (SJKP) in assisting gig works, small entrepreneurs and farmers in obtaining home financing.

In relation to these initiatives, the Ministry of Housing and Local Government launched the Home Ownership Programme with primary focus on providing home to those in the B40 and M40 income groups. The residential property financing initiative known as i-Biaya, which provide financing through the Housing Credit Guarantee Scheme, My First Home Scheme, and the new Rent-to-Own scheme for those who have difficulty obtaining housing loans. Besides, the government also introduced the Keluarga Malaysia Home Ownership Initiative known as i-Miliki which provide full stamp duty exemption on instruments of transfer and loan agreement for first-time home buyers of properties priced RM500,000 and below while 50% exemption for homes priced above RM500,000 to RM1 million. This exemption is for sale and purchase completed from June 1, 2022 till 31 December 2023.

The property market performance recorded an increase in the H1 2022 compared to the same period last year. A total of 188,002 transactions worth RM84.40 billion were recorded, showing an increase of 34.5% in volume and 36.1% in value compared to the same period last year. Of the total transactions, 34.3% (64,479) and 62.6% (117,655) were transfers dated in 2021 and 2022 respectively while the remaining percentage share was for prior years' transfers.

Value of transactions moved in tandem with residential, commercial, industrial, agriculture and development land sub-sectors recorded growths of 32.2%, 28.3%, 66.0%, 56.2% and 17.6% respectively.

The residential sub-sector led the overall property market, with 61.8% contribution. This was followed by agriculture sub-sector (22.1%), commercial (8.1%), development land and others (6.0%) and industrial (2.0%). In terms of value, residential took the lead with 54.1% share, followed by commercial (16.6%), industrial (12.7%), agriculture (10.2%) and development land and others (6.4%).

Outlook

The property market performance recorded a rebound in the first half of 2022 (H1 2022), a reflective of normalising economic activity as the country moved towards endemicity. With the positive projection on economic growth by Bank Negara Malaysia, expected between 5.3% to 6.3% in 2022, supported by the implementation of various government initiatives and assistance, the property market performance is expected to be on track. The property sector would also benefit from the improving labour market conditions and higher tourist arrivals as well as continued implementation of multi-year investments projects such as East Coast Rail Link.

(Source: Property Market Report First Half 2022, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia)

9.3 Overview and outlook of Melaka Economy

The Melaka's GDP rebounded with 2.0% growth in 2021 from a decline of 5.9% in 2020. Melaka's GDP accounted for 3.0% of Malaysia's GDP of RM1,386.7 billion during the year. The services sector remained the leading contributor to the state economy at 48.8% of the GDP. This is followed by the manufacturing sector at 37.9% of the GDP. The manufacturing sector rebounded at 3.3% (2020: -8.5%) driven by the petroleum, chemical, rubber, plastic products, electrical and electronic, and optical products.

In 2021, the services sector recorded a growth of 2.3% from 2020 which was mainly due to the wholesale and retail, utilities and information & communication sub-sectors. The growth of the services industry correlates to the growth of the tourism in Melaka as tourism drives the retail, accommodation as well as the food & beverage sub-sector. These three sub-sectors contributed to 17.4% of the state's GDP in 2021. The tourism industry is expected to continue contributing to this sector in the future due to Melaka City's designation as a World Heritage Site by the United Nations Educational, Scientific and Cultural Organisation ("UNESCO") and the Malaysia, Truly Asia Global Campaign. The Melaka state government has also identified places that are able to attract the attention of tourists including the Datuk Patinggi Abang Abdul Gapur Tomb, Limbongan, Kapal Mendam Berahi, Sungai Melaka, Sungai Duyong River Cruise, Duyong, Jebat Street, Dataran Klebang and Complex Klebang Tourism.

(Source: Independent Market Research Report, Protégé Associates Sdn Bhd)

9.4 Overview of property market in southern region

The Southern Region property market performance registered 40,500 transactions worth RM17.81 billion, increased by 32.7% and 36.1% in volume and value respectively as compared to H1 2021. Combined, these three states formed about 21.5% and 21.1% of the national volume and value of transactions.

All states showed an upward trend. Property market performance in Negeri Sembilan increased by 45.9%, followed by Johor 30.7% and Melaka 22.9%. Similar upward trend was seen in transaction value. Negeri Sembilan increased by 46.4%, followed by Johor 38.0% and Melaka 17.2%.

By sub-sector, residential continued to dominate the region's property transactions, contributing 61.1% (24,727 transactions) of the total. Likewise, residential sub-sector dominated the region's overall property transaction value with 49.9% share (RM8.88 billion).

(Source: Southern Region Property Market Report First Half 2022, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia)

9.5 Overview and outlook of the Malaysia Hospitality, Tourism and Leisure Industry

The hospitality, tourism and leisure industry in Malaysia is an important service industry that contributes greatly to the growth of the Malaysian economy. However, the outbreak of the COVID-19 in 2019 has led to many countries including Malaysia implementing restrictions on foreign tourists into the country, interstate travel and large gatherings to curb the spread of the COVID-19 virus. In 2021, foreign tourist arrivals into Malaysia amounted to 134,728 tourists, a decline of 96.9% from 4.3 million foreign tourist arrivals in the 2020. With the lack of tourist arrival, tourist's receipts in the 2021 recorded a 98.1% decline from RM12.68 billion in 2020 to RM0.24 billion. Tourists from Thailand, Singapore, and Indonesia making up the top 3 arrivals into the country during the year.

With no inbound tourist arrival, the hospitality, tourism and leisure industry rely on domestic tourism during the COVID-19 pandemic. The domestic visitors decreased by 49.9% from 131.7 million visitors in 2020 to 66.0 million visitors in 2021. Johor, Perak, Pahang, Negeri Sembilan and Selangor are the top 5 most visited states. Similarly, domestic tourism expenditure declined by 54.5% from RM40.42 billion in 2020 to RM18.41 billion in 2021. Shopping accounted for the highest share (50.3%) of total domestic tourism expenditure followed by food and beverage ("**F&B**") (15.1%) and purchase of automotive fuel (11.1%). Money spent on packages, entrance fees, tickets, and expenditures prior to the trip only made up 4.7% of the share in 2021.

Accommodation in the hospitality industry provides travellers with a temporary place to stay and it includes lodgings such as hotels, resorts, motels, and chalets. The impact of COVID-19 pandemic on the leisure sector was significant as many hotels and resorts had been forced to either temporarily shut down or permanently closed down as the operating costs were beyond its sustenance. According to Tourism Malaysia Board, the average occupancy rate dropped to 28.2% in 2021 from 30.9% in 2020. However, the average occupancy rate grew to 39.8% in 1Q 2022 in line with the recovery in tourism sector in Malaysia. The accommodation services sub-sector recorded RM4.56 billion in revenue in 2021, a decrease of 29.2% from RM6.44 billion in 2020. The sub-sector however recorded 18.4% growth in 3Q 2022 from RM2.59 billion in the preceding quarter to RM3.06 billion.

The F&B services sub-sector are also key components of the hospitality industry that also supports tourism in Malaysia. It helps tourists to experience the different cultures of Malaysia by sampling the various offerings of cuisines in different types of establishments. The F&B services sub-sector recorded RM50.80 billion in revenue in 2021, a decrease of 10.0% from RM56.43 billion in 2020. The sub-sector however recorded a 1.6% growth in the third quarter of 2022 ("**3Q 2022**") from RM16.47 billion in the preceding quarter to RM16.74 billion.

In particular, the performance of domestic tourism in Melaka registered a downward trend in terms of number of visitor arrivals. Melaka saw a decrease 46.7% from 7.3 million domestic visitors in 2020 to 3.9 million domestic visitors in 2021. Melaka domestic tourism receipt also decrease by 51.0% from RM2.37 billion in 2020 to an estimated RM1.16 billion in 2021. Visiting family and friends remains the top purpose for visit to Melaka, followed by holiday, leisure and relaxation, and education. The top 5 most visited destinations in Melaka are Pantai Emas Klebang, Mahkora Parada, Dataran Pahlawan, Taman Botanical Melaka, and Pantai Penngkalan Balak.

The performance of domestic tourism in Melaka is also expected to improve accordingly as Malaysia transition towards the endemic phase of COVID-19 together with the re-opening of the international borders. In anticipation of this, the Melaka State Government has introduced Melaku Maju Jaya 2035 Strategic Plan with one of key objectives outlined to improve the Melaka's tourism industry. Under the Melaku Maju Jaya 2035 Strategic Plan, the Melaka State Government plans to develop various new tourism landmarks such as the Klebang Tourism Complex with attractions including theme park, One Stop Tourism Centre at Melaka Planetarium as well as upgrading of existing tourism landmarks in Melaka.

Going forward, the Malaysian Government has on 1 April 2022 announced the transition towards an endemic phase of COVID-19. With the easing of restriction on international tourist arrival and re-opening of borders, the Malaysian hospitality, tourism and leisure industry is expected to recover gradually. The services sub-sectors that support the hospitality industry, particularly the F&B services sub-sector, is likely to recover as the restrictions imposed have been eased and consumer and business sentiments improve further.

The Government introduced several economic stimulus packages such as moratoriums on loans, discounts on electricity bills, deferment of taxes, wage subsidies to help individuals and businesses including those in the tourism, leisure, and hospitality industry and its related sub-sectors such as retail and F&B. Specifically for tourism-related activities, the Government has implemented personal tax relief of up to RM1,000 per individual for expenditure on domestic tourism and allocated RM500 million for provision of travel vouchers and grants for tourism promotion. The Malaysian Government has also announced additional initiatives to boost the tourism, leisure, and hospitality industry in the PENJANA ERP. Under the PTF initiative of the plan, RM1 billion has been allocated to assist SMEs and microenterprises in the tourism industry to remain viable and competitive in the new normal.

In 3Q 2022, foreign tourist arrivals into Malaysia stood at 1.08 million tourists compared to 2.03 million tourists in the preceding quarter. In addition, Tourism Malaysia Board has also launched the Tourism Recovery Plan 2022, offering attractive discounts, vouchers and rebates for Malaysians, seeks to restore confidence to travel and boost the country's domestic tourism sector.

(Source: Independent Market Research Report, Protégé Associates Sdn Bhd)

9.6 Overview and outlook of the amusement and theme park industry in Malaysia

Some of Malaysia's most popular theme parks includes Legoland Malaysia in Johor, Resorts World Genting in Pahang, and Berjaya Times Square Theme Park in Kuala Lumpur. Malaysia also boasts several water parks for people to combat the Malaysian heat and have some family-friendly fun. Some well-known water parks are Escape Waterplay in Penang, Sunway Lagoon in Selangor, and A-Famosa Water Themepark in Melaka.

The COVID-19 pandemic brought the amusement and theme park industry to a halt in 2020 as the Government impose the first nationwide movement control order ("MCO") in March 2020 which led to closure of non-essential business including the amusement and theme parks. Resorts World Genting, a popular and expansive integrated resort with hotels, theme parks, malls, and casinos in Pahang closed temporarily during the MCO and this has caused adverse financial effects where its parent company having to undertake aggressive measures like salary reduction and mass retrenchment and optimising other operational expenditures to ensure the sustainability of businesses. According to the Malaysian Association of Amusement Theme Parks & Family Attractions, the losses for the amusement and theme park industry between March 2020 to December 2021 is estimated to exceed RM5 billion.

As the country reached a high vaccination rate among its population, the Malaysia government had on 1 July 2021 allowed the reopening of amusement and theme parks albeit under standard operating procedures. The reopening of such theme parks and leisure facilities helps to promote domestic tourism. In response to that, hotels and theme parks have rolled out marketing campaigns such as attractive packages and promotions to attract customers to patronise their activities and services.

Going forward, the outlook for the local amusement and theme park industry is positive. With the transition to endemic phase of COVID-19 and the re-opening of international borders, tourism in general is expected to see a spike due to pent-up demand. The amusement and theme park industry is expected to rebound strongly with the resurgence of tourists arrivals and domestic tourism.

(Source: Independent Market Research Report, Protégé Associates Sdn Bhd)

9.7 Future plans and prospects of the Group

In the past, Meridian Group mainly focused on property development and construction where it has been a major contributor to the Group's revenue. Since May 2019, the Group had undertaken several initiatives including a shift in focus towards the niche property tourism sub-sector, and the launch of the Malaysia Tourism City development in Kuala Linggi, Melaka comprising attractions such a water theme park and a weekend market inspired by the Chatuchak Market in Bangkok, Thailand.

The recent global market uncertainties and weak market sentiments had affected the Group's earnings for the recent years. Notwithstanding the uncertain economic outlook and the potential short-term impact on the prospects of Meridian Group due to COVID-19 pandemic, the Group has decided to proceed with the development of its existing landbank at Kuala Linggi, Melaka with its longer-term perspective to provide the Meridian Group with a diversified revenue stream.

Meridian's immediate plan is to commence the development of the water theme park. This is expected to generate interest and increase the prospects of the Malaysia Tourism City and in return, gain traction on the sale of the remaining vacation bungalows / land. The Group intends to utilise anticipated cashflows from the sales of the vacation bungalows / land to complete construction of the other components of Phase 1 of the Kuala Linggi Land. Once the Phase 1 components are completed in the medium term (i.e. approximately 3-5 years), the Group is expected to derive recurring revenue from the operation of the water theme park, weekend market and thematic adventure park.

The other components within Phase 2 and Phase 3 will be considered once the Group observes the visibility of returns from the Phase 1 components of the Kuala Linggi Land. Should Malaysia Tourism City be able to attract sufficient traffic volume, the Group will then consider the development of Phase 2 and Phase 3 in the longer term.

Though the development of Malaysia Tourism City is still at its initial stage, Meridian Group remain optimistic on the delivery of its intended plans for the Kuala Linggi Land. The Kuala Linggi Land is strategically located between Kuala Lumpur and Melaka, and an hour drive from the Kuala Lumpur International Airport. Malaysia Tourism City is located in Melaka on the Western Coast of Peninsula Malaysia, along the coastal corridor running between Kuala Lumpur and Johor-Singapore. Malaysia Tourism City is accessible via the E2 North South Expressway from Kuala Lumpur, and alternatively from Johor Bahru. As such, Meridian Group viewed that the Kuala Linggi Land is thus strategically well positioned to attract both local and international tourists.

The long-term prospects of the Malaysia Tourism City remain positive as Melaka, being a UNESCO World Heritage Site is anticipated to draw tourist arrivals from all over the world for its long history and array of tourist attractions. Meridian Group believes that upon completion of the Malaysia Tourism City, it should be a further catalyst in expanding the reach of Melaka as a tourist destination both domestically and globally. Further, the re-opening of the international borders will facilitate the recovery of tourism related industries, including the local amusement and theme park industry.

Barring any unforeseen circumstances, after having considered all the relevant aspects including the current business operations and production, the abovementioned prospects and the hospitality, tourism and leisure industry outlook, the development of Malaysia Tourism City and proposed plans for Kuala Linggi Land are expected to place Meridian Group in a better financial footing moving forward as well as deliver greater value to Meridian Shareholders.

(Source: Management of Meridian)

10. RISK FACTORS

10.1 Proposed Collaboration

The Proposed Collaboration will be subject to, amongst others, the following risks:-

10.1.1 Non-fulfilment of conditions precedent of the Collaboration Agreement

The Collaboration Agreement is conditional upon fulfilment of the conditions precedent as disclosed in **Appendix III** of this Circular. In the event that the conditions precedent are not fulfilled or waived within the stipulated time period, the Collaboration Agreement may be rescinded or terminated.

There is no assurance that the conditions precedent can be completed within the time period permitted under the Collaboration Agreement. However, the Company will take reasonable steps to ensure that the conditions precedent in the Collaboration Agreement will be met within the stipulated time to ensure successful implementation of the Proposed Collaboration.

The Company and M101 had on 28 October 2022 via an exchange of letter, agreed for an extension of time of 90 days to 27 January 2023, for the fulfilment of the conditions precedent as disclosed in **Appendix III** of this Circular. The Group will monitor the timeline closely and will negotiate with M101 for further extension of time, if required. Dato' Seth being the Chief Executive Officer of Meridian and a Director and a major shareholder of M101 had principally agreed to provide support to Meridian and will provide further extension of time for the fulfilment of conditions precedent should the delay be beyond the control of the Group.

10.1.2 Project completion risk

The timely completion of the Hasbro Water Park may be subjected to external factors which are beyond the control of the Group, such as delay in obtaining approvals/permits necessary for the development, availability and adequacy of raw materials and labour, weather conditions, shortage of labour workforce and other unforeseen circumstances. There can be no assurance that the Group will not experience significant delays in the completion of the Hasbro Water Park which may adversely affect the Group's reputation and financial performance. In addition, pursuant to the License Agreement, if Meridian and M101 is unable to meet the development schedule as set out in the License Agreement, Hasbro Int has the right to terminate the License Agreement.

The Board will seek to limit such risk by managing and closely monitoring the Hasbro Water Park to minimise any delay in the completion of the Hasbro Water Park. Nevertheless, there is no assurance that the efforts to be undertaken by the Group including close coordination with all parties involved in the Hasbro Water Park will result in the Group avoiding or minimising the risk of any delays in the completion of the Hasbro Water Park.

10.1.3 Financing risk for the Hasbro Water Park

The Group may seek external financing to fund the development costs of the Hasbro Water Park. If the Group obtains bank borrowings, the Group may incur an interest expense on the bank borrowings. In view that the interest expenses charged on bank borrowings are subject to prevailing interest rate, the Group may potentially be exposed to interest rate fluctuation which may significantly increase the project costs and affect the Group's cash flows as well as profitability. The Group will actively review its debt portfolio taking into consideration the level and nature of borrowings and seek to adopt cost effective financing options.

However, there can be no assurance that the performance of the Group would not be materially affected in the event of any adverse changes in interest rates.

10.1.4 Foreign exchange risk

The financial commitments to Hasbro Int are derived in US dollar, hence, the Group will be exposed to foreign exchange risk. An appreciation in the US dollar will generally result in an increase in the Group's financial commitments to Hasbro Int. As the Group's receipts from the Hasbro Water Park will be in RM, the Group may be adversely impacted by foreign exchange fluctuations.

As at LPD, the Group is not currently exposed to foreign exchange fluctuations as the Group's payments and receipts are denominated in RM. Moving forward, the Group may consider to enter into forward foreign exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates, to fulfil its financial commitments pursuant to the License Agreement.

There can be no assurance that any adverse fluctuations in foreign currencies against the RM will not result in an adverse impact on the Group's financial performance.

10.2 Proposed Diversification

The Proposed Diversification will be subject to, amongst others, the following risks:-

10.2.1 Business diversification risk

The Group is principally involved in property development, construction and property investment. As the Group does not have any prior experience in the leisure industry, the Group will thus be subjected to new challenges and risks relating to the Proposed Diversification into the leisure industry. Although the Group had prior experience in hospitality industry, the Group had discontinued the operation since year 2018.

Pursuant to the Proposed Diversification, the Group will be exposed to the risks inherent in the leisure and hospitality industries, including amongst others, competition from new and existing players in the industries, availability of skilled employees, risks of impairment of assets, reputation risk and operation risks. There can be no assurance that any changes in these factors will not have any material adverse effect on the Group's business and financial performance in the future.

There can also be no assurance that the Group's venture into the leisure and hospitality businesses via the Proposed Diversification will be successful as the Group will be subject to competition with the existing players in the respective industries. Hence, the Group may not generate its anticipated earnings from such ventures and may also encounter lost opportunities while pursuing these ventures.

The Board intends to mitigate the risk by leveraging on the competency of the existing key management personnel and intends to develop its leisure and hospitality business with additional headcount, including seeking senior personnel with relevant experience. Besides, the Group seeks to limit these risks through conduct a periodic review of the business operations.

10.2.2 Termination and non-renewal risk of licenses

In order to operate the leisure and hospitality businesses, the Group is required to obtain and hold valid approvals, permits and licenses issued by regulatory authorities. The Group must comply with the restrictions and conditions imposed by the relevant authorities in order to maintain such approvals, permits and licenses. The approvals, permits and licenses may be suspended or cancelled if the Group fails to comply with the applicable requirements or any required conditions.

In the event that the Group fails to retain any of the required licenses or registrations, or obtain renewals thereof, in a timely manner or at all, the Group will not be able to carry out projects on its own or award such projects to other contractors, and in turn, the leisure and hospitality business and financial performance of the Group may be adversely affected.

Notwithstanding the above, the Group seeks to limit these risks through the implementation of strict compliance procedures for any of the business operations.

10.2.3 Dependency on key management personnel for the leisure and hospitality businesses

The Group's success in the leisure and hospitality businesses depends largely on the capabilities, skills, competencies and continued effort of its experienced personnel. The loss of such key personnel detailed in Section 5.1 of Part A of this Circular as well as other senior personnel to be appointed for these businesses, without timely and suitable replacements may adversely affect the operations and resulting earnings from the Group's leisure and hospitality businesses.

The Group will evaluate and adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and loyalty. If required, suitable consultant(s), partner(s) and/ or third-party contractor(s) will be engaged in the areas necessary for the operation and/or management of the Group's leisure and hospitality businesses.

11. EFFECTS OF THE PROPOSALS

The proforma effects herein are presented purely for illustration purposes and should not be regarded as an indication of or reference to the final Issue Price or the entitlement basis of the Proposed Rights Issue with Warrants.

As at LPD, the Company has in issue the following:-

- (i) 904,175,708 Shares (excluding 9,563,400 treasury shares); and
- (ii) 48,421,408 Warrants C with an exercise price of RM0.80.

For illustrative purposes, the effects of the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS have been illustrated based on the following parameters and scenarios:-

Parameters

Basis : 10 Rights Shares and 5 Warrants D for every 2 Consolidated Share

Issue price for Rights Shares : RM0.070 per Rights Share.

The illustrative Issue Price of RM0.070 per Rights Share represents a discount of 15.66% to the TERP of Meridian Shares of RM0.083, calculated based on the 5-day VWAMP of Meridian Shares up to and including 29 July 2022, being the latest practicable date prior to the Announcement of RM0.180 (after adjusting for the effects of the Proposed Share Consolidation).

The illustrative Issue Price of RM0.070 per Rights Share represents a discount of 7.89% to the TERP of Meridian Shares of RM0.076, calculated based on the 5-day VWAMP of Meridian Shares up to and including the LPD of RM0.117 (after adjusting for the effects of the Proposed Share Consolidation).

Exercise price of Warrants D : RM0.070 per Warrant D, being the Issue Price of the Rights Shares.

Options Exercise Price : RM0.070 per ESOS Option. The illustrative Option Exercise Price of RM0.070 per ESOS Option represents a discount of 7.89% to the TERP of Meridian Shares of RM0.076, calculated based on the 5-day VWAMP of Meridian Shares up to and including the LPD of RM0.117 (after adjusting for the effects of the Proposed Share Consolidation).

Scenarios

Minimum Scenario : Assuming:-

- (i) only Dato' Seth and Mr Tang subscribe for the Proposed Rights Issue with Warrants pursuant to their Undertakings to raise minimum gross proceeds of RM10.0 million;
- (ii) none of the treasury shares are resold in the open market prior to the Rights Entitlement Date; and
- (iii) none of the Warrants C are exercised prior to the Rights Entitlement Date.

Scenarios

Base Case Scenario

: Assuming:-

- (i) all the Entitled Shareholders and/or their renouncees and/or transferees fully subscribe for their entitlements under the Proposed Rights Issue with Warrants;
- (ii) none of the treasury shares are resold in the open market prior to the Rights Entitlement Date; and
- (iii) none of the Warrants C are exercised prior to the Rights Entitlement Date.

Maximum Scenario

: Assuming:-

- (i) all the Entitled Shareholders and/or their renouncees and/or transferees fully subscribe for their entitlements under the Proposed Rights Issue with Warrants;
- (ii) none of the treasury shares are resold in the open market prior to the Rights Entitlement Date; and
- (iii) 48,421,408 new Shares are issued arising from the exercise of Warrants C prior to the Rights Entitlement Date.

11.1 Share Capital

The Proposed Collaboration and Proposed Diversification will not have any effect on the issued share capital of the Company.

The proforma effects of the Proposed Share Consolidation, Proposed Rights Issue with Warrants and Proposed ESOS on the issued share capital of the Company are as follows:-

	Minimum Scenario		Base Case Scenario		Maximum Scenario	
	Number of Shares	RM	Number of Shares	RM	Number of Shares	RM
Issued share capital as at LPD	913,739,108	294,020,692	913,739,108	294,020,692	913,739,108	294,020,692
Less: treasury shares	(9,563,400)	(5,842,530)	(9,563,400)	(5,842,530)	(9,563,400)	(5,842,530)
Issued share capital net of treasury shares as at LPD	904,175,708	288,178,162	904,175,708	288,178,162	904,175,708	288,178,162
New Shares to be issued arising from the full exercise of outstanding Warrants C	-	-	-	-	48,421,408	38,737,126
Enlarged issued share capital	904,175,708	288,178,162	904,175,708	288,178,162	952,597,116	326,915,288
After Proposed Share Consolidation	226,043,927	288,178,162	226,043,927	288,178,162	238,149,279	326,915,288
Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants	142,857,144	^(a) 7,500,000	1,130,219,635	^(b) 59,336,531	1,190,746,395	^(c) 62,514,186
Enlarged issued share capital after issuance of Rights Shares	368,901,071	295,678,162	1,356,263,562	347,514,693	1,428,895,674	389,429,474

	Minimum Scenario		Base Case Scenario		Maximum Scenario	
	Number of Shares	RM	Number of Shares	RM	Number of Shares	RM
New Shares to be issued arising from the full exercise of Warrants C	14,335,397	^(d) 36,841,970	18,196,910	^(d) 37,485,635	-	-
New Shares to be issued arising from the full exercise of Warrants D	71,428,571	^(e) 7,500,000	565,109,817	59,336,531	595,373,197	^(e) 62,514,186
Enlarged issued share capital after full exercise of Warrants C and Warrants D	454,665,039	340,020,132	1,939,570,289	444,336,859	2,024,268,871	451,943,660
New Shares to be issued arising from the full exercise of ESOS Options	68,199,755	^(f) 4,773,983	290,935,543	^(f) 20,365,488	303,640,330	^(e) 21,254,823
Enlarged issued share capital after full exercise of ESOS Options	522,864,794	344,794,115	2,230,505,832	464,702,347	2,327,909,201	473,198,483

Notes:-

- (a) Computed based on the Undertakings from Dato' Seth and Mr Tang for the subscriptions of 142,857,144 Rights Shares at the indicative issue price of RM0.070 per Rights Share under the Minimum Scenario and adjusted for the apportionment of its relative fair value of RM0.035 per Warrant D to the warrants reserve account based on the Trinomial option pricing model as extracted from Bloomberg.
- (b) Computed based on the Entitled Shareholders' subscriptions of 1,130,219,635 Rights Shares at the indicative issue price of RM0.070 per Rights Share under the Base Case Scenario and adjusted for the apportionment of its relative fair value of RM0.035 per Warrant D to the warrants reserve account based on the Trinomial option pricing model as extracted from Bloomberg.
- (c) Computed based on the Entitled Shareholders' subscriptions of 1,190,746,395 Rights Shares at the indicative issue price of RM0.070 per Rights Share under the Maximum Scenario and adjusted for the apportionment of its relative fair value of RM0.035 per Warrant D to the warrants reserve account based on the Trinomial option pricing model as extracted from Bloomberg.
- (d) Computed based on the adjusted number of Warrants C and adjusted exercise price of Warrants C in accordance to the Deed Poll C.
- (e) Computed based on illustrative Exercise Price of RM0.070 per Warrant D and the reversal of the warrants reserve account (based on the fair value of RM0.035 per Warrant D) to the share capital account.
- (f) Calculated based on the illustrative subscription price of the ESOS Options of RM0.070 per ESOS Option, which represents a discount of approximately 7.89% to the TERP of RM0.076, calculated based on the 5-day VWAMP of Meridian Shares up to and including the LPD of RM0.117 (after adjusting for the effects of the Proposed Share Consolidation).

11.2 NA and gearing

Barring any unforeseen circumstances, the Proposed Collaboration and Proposed Diversification is not expected to have any immediate material impact on the NA and gearing of the Group. However, the effects on the future NA and gearing of the Group will depend on the manner of funding for the Hasbro Water Park and hospitality businesses. The Proposed Collaboration and Proposed Diversification are expected to contribute positively towards the NA of the Group as and when Malaysia Tourism City commence operations.

The Proposed ESOS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the ESOS Options granted under the Scheme are exercised. Any potential effects on the NA and gearing of the Group will depend on the number of new Shares to be issued upon the exercise of the Options granted under the Scheme and the Options Exercise Price.

For illustrative purposes, upon exercise of the ESOS Options under the Proposed ESOS, the NA per Share is expected to:-

- (i) increase if the Options Exercise Price is higher than the NA per Share; or
- (ii) decrease if the Options Exercise Price is lower than the NA per Share,

at such point of exercise of the ESOS Options.

Any potential effect on the NA and gearing of the Group in the future will depend on the number of the ESOS Options granted and exercised, the Options Exercise Price and the non-cash expenses arising from the granting of the ESOS Options under MFRS 2, on “Share-Based Payment” issued by the Malaysian Accounting Standards Board.

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the ESOS Options. Further information on this is set out in Section 11.3(v) of Part A of this Circular.

Based on the audited consolidated statements of financial position of Meridian as at 30 June 2022 and assuming that the Proposed Share Consolidation and Proposed Rights Issue with Warrants were completed on 30 June 2022, the proforma effects of the Proposed Share Consolidation and Proposed Rights Issue with Warrants on the consolidated NA per Share and the gearing of Meridian are as follows:-

(i) Minimum Scenario

		(I)	(II)	(III)
	Audited as at 30 June 2022 RM'000	After the Proposed Share Consolidation RM'000	After (I) and the Proposed Rights Issue with Warrants RM'000	After (II) and assuming full exercise of Warrants C and Warrants D RM'000
Share capital	294,021	294,021	^(a) 301,521	^(b) 345,864
Treasury shares	(5,843)	(5,843)	(5,843)	(5,843)
Warrants reserves	-	-	^(c) 2,500	-
Revaluation reserve	11	11	11	11
Accumulated losses	(154,602)	(154,602)	^(d) (155,802)	(155,802)
NA	133,587	133,587	142,387	184,230
Number of shares in issued (excluding treasury shares)	904,176	226,044	368,901	454,665
NA per share (RM)	0.15	0.59	0.39	0.41
Total borrowings	17,584	17,584	^(e) 14,584	14,584
Gearing ratio (times)	0.13	0.13	0.10	0.08

Notes:-

- (a) Computed based on the Undertakings from Dato' Seth and Mr Tang for the subscriptions of 142,857,144 Rights Shares at the indicative Issue Price of RM0.070 per Rights Share under the Minimum Scenario and adjusted for the apportionment of its relative fair value of RM0.035 per Warrant D to the warrants reserve account based on the Trinomial option pricing model as extracted from Bloomberg.
- (b) Computed based on the adjusted number of Warrants C and adjusted exercise price of Warrants C in accordance to the Deed Poll C and based on the illustrative Exercise Price of RM0.070 per Warrant D and the reversal of the warrants reserve account (based on the fair value of RM0.035 per Warrant D) to the share capital account.

- (c) Computed based on the issuance of 71,428,571 Warrants D at an allocated fair value of RM0.035 per Warrant D computed based on the Trinomial option pricing model as extracted from Bloomberg.
- (d) After deducting estimated expenses for the Proposals of RM1.2 million.
- (e) After repayment of bank borrowings of RM3.0 million

(ii) Base Case Scenario

		(I)	(II)	(III)
	Audited as at 30 June 2022 RM'000	After the Proposed Share Consolidation RM'000	After (I) and the Proposed Rights Issue with Warrants RM'000	After (II) and assuming full exercise of Warrants C and Warrants D RM'000
Share capital	294,021	294,021	^(a) 353,358	^(b) 450,180
Treasury shares	(5,843)	(5,843)	(5,843)	(5,843)
Warrants reserves	-	-	^(c) 19,779	-
Revaluation reserve	11	11	11	11
Accumulated losses	(154,602)	(154,602)	^(d) (155,802)	(155,802)
NA	133,587	133,587	211,503	288,546
Number of shares in issued (excluding treasury shares)	904,176	226,044	1,356,264	1,939,570
NA per share (RM)	0.15	0.59	0.16	0.15
Total borrowings	17,584	17,584	^(e) -	-
Gearing ratio (times)	0.13	0.13	-	-

Notes:-

- (a) Computed based on the Entitled Shareholders' subscriptions of 1,130,219,635 Rights Shares at the indicative Issue Price of RM0.070 per Rights Share under the Base Case Scenario and adjusted for the apportionment of its relative fair value of RM0.035 per Warrant D to the warrants reserve account based on the Trinomial option pricing model as extracted from Bloomberg.

- (b) Computed based on the adjusted number of Warrants C and adjusted exercise price of Warrants C in accordance to the Deed Poll C and based on the illustrative Exercise Price of RM0.070 per Warrant D and the reversal of the warrants reserve account (based on the fair value of RM0.035 per Warrant D) to the share capital account.
- (c) Computed based on the issuance of 565,109,817 Warrants D at an allocated fair value of RM0.035 per Warrant D computed based on the Trinomial option pricing model as extracted from Bloomberg.
- (d) After deducting estimated expenses for the Proposals of RM1.2 million.
- (e) Assuming repayment of all bank borrowings.

(iii) Maximum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 30 June 2022 RM'000	Assuming full exercise of Warrants C RM'000	After (I) and the Proposed Share Consolidation RM'000	After (II) and the Proposed Rights Issue with Warrants RM'000	After (III) and assuming full exercise of Warrants D RM'000
Share capital	294,021	332,758	332,758	^(a) 395,272	^(b) 457,787
Treasury shares	(5,843)	(5,843)	(5,843)	(5,843)	(5,843)
Warrants reserves	-	-	-	^(c) 20,838	-
Revaluation reserve	11	11	11	11	11
Accumulated losses	(154,602)	(154,602)	(154,602)	^(d) (155,802)	(155,802)
NA	133,587	172,324	172,324	254,476	296,153
Number of shares in issued (excluding treasury shares)	904,176	952,597	238,149	1,428,896	2,024,269
NA per share (RM)	0.15	0.18	0.72	0.18	0.15
Total borrowings	17,584	17,584	17,584	^(e) -	-
Gearing ratio (times)	0.13	0.10	0.10	-	-

Notes:-

- (a) Computed based on the Entitled Shareholders' subscription of 1,190,746,395 Rights Shares at the indicative issue price of RM0.070 per Rights Share under the Maximum Scenario and adjusted for the apportionment of its relative fair value of RM0.035 per Warrant D to the warrants reserve account based on the Trinomial option pricing model as extracted from Bloomberg.
- (b) Computed based on the based on the illustrative Exercise Price of RM0.070 per Warrant D and the reversal of the warrants reserve account (based on the fair value of RM0.035 per Warrant D) to the share capital account.
- (c) Computed based on the issuance of 595,373,197 Warrants D at an allocated fair value of RM0.035 per Warrant D computed based on the Trinomial option pricing model as extracted from Bloomberg.
- (d) After deducting estimated expenses for the Proposals of RM1.2 million.
- (e) Assuming repayment of all bank borrowings.

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11.3 Earnings and EPS of the Group

(i) Proposed Collaboration

The Proposed Collaboration will not have any effect on the earnings of the Group for the FYE 30 June 2023. The Proposed Collaboration is expected to contribute positively towards the earnings and EPS of the Group for future financial years when Hasbro Water Park is completed and commenced operations

(ii) Proposed Share Consolidation

The Proposed Share Consolidation will not have any effect on the earnings of the Group for the FYE 30 June 2023. The lower number of Shares in issue upon completion of the Proposed Share Consolidation will result in a corresponding increase in the EPS of the Company

(iii) Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants, which is expected to be completed in the fourth quarter of calendar 2022, is not expected to have any material effect on the earnings and EPS of the Group for the FYE 30 June 2023.

However, there will be a dilution in the EPS of the Group for the FYE 30 June 2023 due to the increase in the number of Meridian Shares in issue arising from the Proposed Rights Issue with Warrants.

Notwithstanding that, the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of the Group in the ensuing financial years when the benefits of the utilisation of the proceeds are realised.

(iv) Proposed Diversification

The Proposed Diversification is also not expected to have any immediate effect on the earnings of the Group until such time the positive effects of the future earnings and benefits arising from Proposed Diversification are realised.

(v) Proposed ESOS

The Proposed ESOS is not expected to have any immediate material effect on the earnings and EPS of the Group until such time when the ESOS Options are granted and exercised.

Any potential effect on the EPS of the Group in the future will depend on the number of ESOS Options granted and exercised, the Options Exercise Price and the non-cash expenses arising from the granting of the ESOS Options under MFRS 2.

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the ESOS Options based on, amongst others, the share price volatility, risk-free interest rate and pricing model. The fair value of the ESOS Options will be recognised as an expense in the profit or loss account of the Group over the vesting period of such ESOS Options. However, it should be noted that the estimated cost does not represent a cash outflow by the Group as it is merely an accounting treatment.

The Board takes note of the potential impact of MFRS 2 on the Group's future earnings and shall take into consideration such impact in the allocation and granting of the ESOS Options to the Eligible Persons.

11.4 Substantial shareholders' shareholdings

The Proposed Collaboration and Proposed Diversification will not have any effect on the shareholdings of the Company's substantial shareholders.

The Proposed ESOS is not expected to have any immediate effect on the shareholdings of the Company's substantial shareholders until such time when the ESOS Options are exercised into the new Meridian Shares. Any potential effect on the shareholdings of the substantial shareholders would depend on the number of new Meridian Shares to be issued pursuant to the exercise of the ESOS Options at the relevant point in time.

The proforma effects of the Proposed Rights Issue with Warrants on the shareholdings of the substantial shareholders of Meridian based on the Register of Substantial Shareholders as at LPD are as follows:-

(i) Minimum Scenario

		(I)								(II)			
		As at LPD				After Proposed Share Consolidation				After (I) and after Proposed Rights Issue with Warrants			
		Direct	%	Indirect	%	Direct	%	Indirect	%	Direct	%	Indirect	%
Iconworld Resources Sdn Bhd		190,000,000	21.01	-	-	47,500,000	21.01	-	-	47,500,000	12.88	-	-
Permaju Industries Berhad		-	-	(a)190,000,000	21.01	-	-	(a)47,500,000	21.01	-	-	(a)47,500,000	12.88
Lim Kon Lian		150,695,909	16.67	-	-	37,673,977	16.67	-	-	37,673,977	10.21	-	-
Dato' Seth		32,195,199	3.56	-	-	8,048,799	3.56	-	-	79,477,371	21.54	-	-
Mr Tang		100,000	0.01	-	-	25,000	0.01	-	-	71,453,572	19.37	-	-

(III)

**After (II) and assuming full exercise of
Warrants C* and Warrants D**

	Direct	%	Indirect	%
Iconworld Resources Sdn Bhd	47,500,000	10.45	-	-
Permaju Industries Berhad	-	-	(a)47,500,000	10.45
Lim Kon Lian	37,673,977	8.29	-	-
Dato' Seth	115,191,656	25.34	-	-
Mr Tang	107,167,858	23.57	-	-

Notes:-

* Assuming none of the substantial shareholders hold Warrants C.

(a) Indirect interest held through Iconworld Resources Sdn Bhd.

(ii) **Base Case Scenario**

		(I)								(II)			
		As at LPD				After Proposed Share Consolidation				After (I) and after Proposed Rights Issue with Warrants			
		Direct	%	Indirect	%	Direct	%	Indirect	%	Direct	%	Indirect	%
Iconworld Resources Sdn Bhd		190,000,000	21.01	-	-	47,500,000	21.01	-	-	285,000,000	21.01	-	-
Permaju Industries Berhad		-	-	(a)190,000,000	21.01	-	-	(a)47,500,000	21.01	-	-	(a)285,000,000	21.01
Lim Kon Lian		150,695,909	16.67	-	-	37,673,977	16.67	-	-	226,043,862	16.67	-	-
Dato’ Seth		32,195,199	3.56	-	-	8,048,799	3.56	-	-	48,292,794	3.56	-	-
		(III)											
		After (II) and assuming full exercise of Warrants C and Warrants D											
		Direct	%	Indirect	%								
Iconworld Resources Sdn Bhd		403,750,000	20.82	-	-								
Permaju Industries Berhad		-	-	(a)403,750,000	20.82								
Lim Kon Lian		320,228,804	16.51	-	-								
Dato’ Seth		68,414,791	3.53	-	-								

Notes:-

* Assuming none of the substantial shareholders hold Warrants C.

(a) Indirect interest held through Iconworld Resources Sdn Bhd.

(iii) **Maximum Scenario**

		(I)								(II)			
		As at LPD				Assuming full exercise of Warrants C				After (I) and after Proposed Share Consolidation			
		Direct	%	Indirect	%	Direct	%	Indirect	%	Direct	%	Indirect	%
Iconworld Resources Bhd	Sdn	190,000,000	21.01	-	-	190,000,000	19.95	-	-	47,500,000	19.95	-	-
Permaju Industries Berhad		-	-	(i)190,000,000	21.01	-	-	(a)190,000,000	19.95	-	-	(a)47,500,000	19.95
Lim Kon Lian		150,695,909	16.67	-	-	150,695,909	15.82	-	-	37,673,977	15.82	-	-
Dato’ Seth		32,195,199	3.56	-	-	32,195,199	3.38	-	-	8,048,799	3.38	-	-
		(III)				(IV)							
		After (II) and after Proposed Rights Issue with Warrants				After (III) and assuming full exercise of Warrants D							
		Direct	%	Indirect	%	Direct	%	Indirect	%				
Iconworld Resources Bhd	Sdn	285,000,000	19.95	-	-	403,750,000	19.95	-	-				
Permaju Industries Berhad		-	-	(a)285,000,000	19.95	-	-	(a)403,750,000	19.95				
Lim Kon Lian		226,043,862	15.82	-	-	320,228,804	15.82	-	-				
Dato’ Seth		48,292,794	3.38	-	-	68,414,791	3.38	-	-				

Notes:-

* Assuming none of the substantial shareholders hold Warrants C.

(a) Indirect interest held through Iconworld Resources Sdn Bhd.

11.5 Convertible securities

Save for the outstanding Warrants C, which are exercisable into new Meridian Shares, the Company does not have any other outstanding convertible securities as at LPD.

The Proposed Share Consolidation and Proposed Rights Issue with Warrants will give rise to adjustments to the exercise price and/or the number of outstanding Warrants C pursuant to the provisions of the respective Deed Poll C. A notice will be despatched to the respective holders of the Warrants C in the event of any such Adjustments.

12. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Meridian Shares as traded on the Main Market of Bursa Securities for the past 12 months from November 2021 to October 2022 are as follows:-

	High RM	Low RM
<u>2021</u>		
November	0.170	0.130
December	0.140	0.050
<u>2022</u>		
January	0.075	0.055
February	0.090	0.045
March	0.055	0.040
April	0.070	0.045
May	0.055	0.045
June	0.055	0.040
July	0.050	0.040
August	0.050	0.025
September	0.030	0.015
October	0.030	0.020
The last transacted market price of Meridian Shares on 1 August 2022 (being the last trading day prior to the announcement of the Proposals)		0.050
The last transacted market price of Meridian Shares as at LPD		0.030

(Source: Bloomberg)

13. APPROVALS REQUIRED AND CONDITIONALITY

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

- (i) approval of Bursa Securities for the following:-
 - (a) the Proposed Share Consolidation;
 - (b) admission to the Official List of Bursa Securities and the listing and quotation of up to 595,373,197 Warrants D to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;

(c) listing and quotation of

- up to 1,190,746,395 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;
- up to 595,373,197 new Meridian Shares to be issued pursuant to the exercise of the Warrants D on the Main Market of Bursa Securities;
- up to 34,586,720 additional Warrants C to be issued pursuant to the Adjustments on the Main Market of Bursa Securities;
- up to 34,586,720 additional Meridian Shares to be issued pursuant to the exercise of the additional Warrants C to be issued pursuant to the Adjustments on the Main Market of Bursa Securities; and
- such number of new Meridian Shares representing up to 15% of the Company's total number of issued Shares (excluding treasury shares), to be issued pursuant to the exercise of the ESOS Options during the duration of the Scheme on the Main Market of Bursa Securities;

The approval by Bursa Securities for the above was obtained vide its letter dated 21 November 2022, subject to, amongst others, the following conditions:

No.	Conditions	Status of Compliance
(1)	Meridian and Malacca Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposal;	To be complied
(2)	Malacca Securities to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the EGM for the Proposals;	To be complied
(3)	Malacca Securities is required to make the relevant announcements pursuant to Paragraph 13.20(2) of the Listing Requirements pursuant to the Proposed Share Consolidation;	To be complied
(4)	Meridian and Malacca Securities must observe and ensure full compliance with Paragraph 6.50 of the Listing Requirement at all times;	To be complied
(5)	Malacca Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation;	To be complied
(6)	Malacca Securities to inform Bursa Securities upon the completion of the Proposals;	To be complied
(7)	Malacca Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied

No.	Conditions	Status of Compliance
(8)	Meridian to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed ESOS and/or the exercise of Warrants D pursuant to the Proposed Rights Issue with Warrants as at the end of each quarter together with a detailed computation of listing fees payable;	To be complied
(9)	Payment of additional listing fee, if any, based on the final issue price together with a copy of the details of the computation of the amount of listing fees payable; and	To be complied
(10)	<p>Meridian is required to make quarterly updates via Bursa LINK (simultaneous with the submission of quarterly report) on the following:</p> <p>(a) The status on each of the event, project or purpose for which the total proceeds raised from the Proposed Rights Issue with Warrants are utilised for, including but not limited to, the percentages of completion of projects / initiatives; and</p> <p>(b) Where relevant, details on where the balance of proceeds raised is being placed (pending utilisation). If it is parked with asset management company / fund manager, to disclose the name of the asset management company / fund manager.</p>	To be complied
(ii)	approval of Meridian Shareholders for the Proposals at the forthcoming EGM. For information, in accordance with Section 85 of the Act and Article 54 of the Company's Constitution, Meridian Shareholders have pre-emptive rights to be offered Meridian Shares to be issued pursuant to the Proposed ESOS. In the event the resolution for the Proposed ESOS is approved by shareholders of the Company at the forthcoming EGM, Meridian Shareholders will be waiving their pre-emptive rights under Section 85 of the Act and Article 54 of the Company's Constitution; and	
(iii)	approvals / consents of any other relevant authorities / parties, if required.	

Save for the Proposed Rights Issue with Warrants which is conditional upon the Proposed Share Consolidation but not vice versa, the Proposed Collaboration, Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS are not conditional upon each other.

Save for the above, the Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

14.1 Proposed Collaboration

Save for Dato' Seth who is interested in the Proposed Collaboration by virtue of him being a director and major shareholder of M101, none of the Directors and/or major shareholder of Meridian and/or persons connected to them have any interest in the Proposed Collaboration.

The direct and indirect shareholdings of Dato' Seth and/or persons connected with him in Meridian as at LPD are set out below:

	As at LPD			
	Direct	%	Indirect	%
Dato' Seth	32,195,199	3.56	-	-

Dato' Seth has and will continue to abstain from all Board deliberations and voting in respect of the Proposed Collaboration. Dato' Seth and persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings, if any, at an EGM to be convened in respect of the resolution to be tabled for the Proposed Collaboration.

Dato' Seth will undertake to ensure that persons connected with him, if any, will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Collaboration to be tabled at an EGM to be convened.

14.2 Proposed Share Consolidation and Proposed Diversification

None of the Directors and/or major shareholder of Meridian and/or persons connected to them have any interest in the Proposed Share Consolidation and Proposed Diversification.

14.3 Proposed Rights Issue with Warrants

None of the Directors and/or major shareholder of Meridian and/or Chief Executive and/or persons connected to them have any interest in the Proposed Rights Issue with Warrants, save for their respective entitlements as Meridian Shareholders under the Proposed Rights Issue with Warrants including the right to apply for additional Rights Shares under the excess Rights Shares application, which are also available to all Meridian shareholders.

14.4 Proposed ESOS

All of the Directors of Meridian are deemed interested in the Proposed ESOS by virtue of their eligibility for the Options in their capacity as Directors and in respect of their specific allocations (where applicable) as well as specific allocations to persons connected with them under the Proposed ESOS (where applicable).

Accordingly, the Directors will abstain from all Board deliberations and voting in respect of any specific allocation of Options to themselves respectively as well as the specific allocations to any persons connected with them (where applicable) at the relevant Board meetings of the Company.

Further, the Directors will undertake to ensure each of them and the persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolutions pertaining to their respective specific allocation of Options as well as the specific allocations to any persons connected with them (where applicable) under the Proposed ESOS at a general meeting to be convened in the future, if applicable.

The direct and indirect shareholdings of the Directors of Meridian as at LPD are as follows:-

Name / Designation	As at LPD			
	Direct	%	Indirect	%
Dato' Seth (Executive Director / Chief Executive Officer)	32,195,199	3.56	-	-
Mr Tang (Executive Director)	100,000	0.01	-	-
Chew Shin Yong, Mark (Independent Non-Executive Director)	-	-	-	-
Ng Kok Hok (Independent Non-Executive Director)	-	-	-	-

Note:-

* Based on the issued share capital of 904,175,708 Shares as at LPD.

15. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

In view of the interest of Dato' Seth in the Proposed Collaboration as set out in Section 14 of Part A of this Circular, the Proposed Collaboration is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Save for the License Agreement and Collaboration Agreement, the Group has not entered into any transaction with Dato' Seth and person connected with Dato' Seth for past 12 months up to LPD.

16. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at LPD, save for the Proposals, the Company does not have any outstanding proposals that have been announced but pending completion.

17. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company, after having considered inter-alia, the terms and conditions of the License Agreement and Collaboration Agreement, the rationale for the Proposed Collaboration, the prospects of the Hasbro Water Park and the effects of the Proposed Collaboration on the Group and the evaluation from SCA as the appointed Independent Adviser, is of the opinion that the Proposed Collaboration is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of the Company.

18. DIRECTORS' STATEMENT AND RECOMMENDATION

18.1 Proposed Collaboration

The Board (save for Dato' Seth), having considered all aspects of the Proposed Collaboration, including but not limited to the rationale for the Proposed Collaboration, the effects of the Proposed Collaboration and the evaluation from SCA, is of the opinion that the Proposed Collaboration is in the best interests of the Company.

18.2 Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS

The Board having considered all aspects of the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS, including but not limited to the rationale for the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS, the effects of the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue with Warrants and Proposed ESOS, is of the opinion that the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed Diversification and Proposed ESOS are in the best interests of the Company.

Accordingly, the Board (save for Dato' Seth, who is the interested Director only in respect of the Proposed Collaboration) recommends that Meridian Shareholders vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

19. TENTATIVE TIMELINE FOR THE PROPOSALS

Barring any unforeseen circumstances, the tentative timeline for the Proposals is set out as follow:

Tentative timeline	Events
22 December 2022	- EGM for the Proposals - Proposed Diversification becomes effective
End December 2022	- Proposed ESOS becomes effective
Early January 2023	- Proposed Collaboration becomes unconditional
Mid January 2023	- Completion of the Proposed Share Consolidation
End February 2023	- Completion of the Proposed Rights Issue with Warrants

20. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Collaboration pursuant to Paragraph 10.02(g) of the Listing Requirements is 53.5% derived based on the obligations and liabilities to be assumed arising from the License Agreement of USD16.5 million (equivalent to RM73.4 million, based on an RM/USD exchange rate of 4.4505 as at 29 July 2022, the latest practicable date prior to the Announcement; Source: Bank Negara Malaysia) (which consist of the development fee and initial term minimum guarantee) over the audited NA of Meridian Group of RM137.3 million as at 31 December 2021.

For information, the USD16.5 million will be paid in accordance with a scheduled payment throughout the development term and initial term of the License Agreement. As at LPD, the USD16.5 million is not due for payment (in part or in full).

21. EGM

The EGM of Meridian will be conducted via online meeting platform (<https://bit.ly/3guJidw>) at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, on Thursday, 22 December 2022 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals. The resolutions pertaining to the Proposals are set out in the Notice of EGM which is enclosed with this Circular.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his/her behalf.

The Form of Proxy should be completed and returned in accordance with the instructions therein as soon as possible and should deposit to the Company's Secretariat, Acclime Corporate Services Sdn. Bhd. at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, not less than 24 hours before the time set for holding the EGM, as indicated below, or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

22. FURTHER INFORMATION

You are advised to refer to the attached appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
MERIDIAN BERHAD

DATO' YAP TING HAU
Executive Director / Chief Executive Officer

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-
INTERESTED SHAREHOLDERS OF MERIDIAN IN
RELATION TO THE PROPOSED COLLABORATION**

EXECUTIVE SUMMARY

All definitions used in the Executive Summary shall have the same meaning as the words and expressions as defined in the “Definitions” section as well as the relevant sections in Part A of the Circular except where the context otherwise requires or where otherwise defined in this IAL. All references to “you” are references to the non-interested Meridian Shareholders, whilst references to “we, us or our” are references to SCA, being the Independent Adviser for the Proposed Collaboration.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter from the Board as set out in Part A of the Circular together with the accompanying appendices for other relevant information and not to rely solely on the Executive Summary before forming an opinion on the Proposed Collaboration.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the resolution to give effect to the Proposed Collaboration to be tabled at the forthcoming EGM of the Company.

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

1. INTRODUCTION

On 2 August 2022, Malacca Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

The Proposals include, inter-alia, the proposed collaboration between Meridian and M101 to facilitate the License Agreement for Meridian’s development and operation of the Hasbro Water Park.

The Proposed Collaboration is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Securities in view of the interests of Dato’ Seth as set out in Section 14.1 of Part A of the Circular. Accordingly, SCA has been appointed as the Independent Adviser on 1 August 2022 to advise the non-interested Directors and non-interested Meridian Shareholders on whether the Proposed Collaboration :

- (i) is fair and reasonable insofar as the non-interested Meridian Shareholders are concerned; and
- (ii) is detrimental to the non-interested Meridian Shareholders.

On 28 October 2022, Malacca Securities had on behalf of the Board, announced that the Company and M101 had on even date via an exchange of letter, agreed for an extension of time for 90 days from 30 October 2022 to 27 January 2023 for the fulfilment of the conditions precedent of the Collaboration Agreement.

Further details of the Proposed Collaboration are set out in Section 2 of Part A of the Circular.

The purpose of this IAL is to provide the non-interested Meridian Shareholders with an independent evaluation on the fairness and reasonableness of the terms and conditions of the Proposed Collaboration and whether it is detrimental to the non-interested Meridian Shareholders together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified in this IAL, on whether the non-interested Meridian Shareholders should vote in favour or against the resolution pertaining to the Proposed Collaboration to be tabled in the forthcoming EGM of the Company.

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EXECUTIVE SUMMARY (Cont'd)

2. EVALUATION ON THE PROPOSED COLLABORATION

In evaluating the Proposed Collaboration, we have taken into consideration the following factors in forming our opinion :

Section in this IAL	Area of evaluation	SCA's comments
5.1	Rationale for the Proposed Collaboration	<p>We are of the view that the rationale for the Proposed Collaboration is reasonable and not detrimental to the non-interested Meridian Shareholders due to the following :</p> <ul style="list-style-type: none"> (a) the Meridian Group has been incurring LAT since FY2021 due to recent global market uncertainties and weak market sentiments in the property industry; (b) collaboration for Meridian's development and operation of the Hasbro Water Park on part of the 620.1-acre (approximately 250.9 hectares) land at Kuala Linggi owned by Meridian Group is expected to significantly increase the interest and profile of the Malaysia Tourism City as Hasbro Water Park will attract tourists to visit and explore Malaysia Tourism City. Upon commencement of operation of Hasbro Water Park (which is expected to be on or before January 2026), additional recurring income stream will be derived for Meridian through ticket and merchandise sales; and (c) Meridian Group is cognisant that the operating landscape for the property development industry will continue to remain challenging, therefore the Proposed Collaboration is a strategic move by Meridian, upon commencement of operation of Hasbro Water Park, to derive additional recurring income stream, expand Meridian's earning base, with a long-term view of improving the overall financial performance of Meridian.
5.2	Salient terms of the License Agreement	<p>The abridged salient terms of the License Agreement are as follows :</p> <ul style="list-style-type: none"> (i) Exclusivity <p>This term states that Hasbro Int grants Meridian and M101 exclusive rights to utilise the Licensed Property.</p> (ii) Financial Terms <p>This term outlines the payment obligations of Meridian and M101 to Hasbro Int.</p> <p>Pursuant to the Collaboration Agreement dated 1 August 2022 between Meridian and M101, Meridian will assume all obligations (including financial obligations) and development costs as set out in the License Agreement and will be required to provide a land as the venue for the Hasbro Water Park.</p> <p>M101 is merely acting as a co-licensee and shall not be entitled to any revenue/profit generated from the License Agreement. All profits to be derived from the Hasbro Water Park shall accrue to Meridian.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in this IAL	Area of evaluation	SCA's comments
		We are of the opinion that the terms of the License Agreement are <u>reasonable</u> and <u>not detrimental</u> to the non-interested Meridian Shareholders.
5.3	Salient terms of the Collaboration Agreement	<p>The abridged salient terms of the Collaboration Agreement are as follows :</p> <p>(i) Obligations of Meridian</p> <p>Meridian shall be solely responsible for all financial, execution and implementation obligations imposed upon Meridian and M101 under the License Agreement. This term also clearly states that Meridian shall be responsible to provide land for Hasbro Water Park and pay all development costs thereof.</p> <p>(ii) Obligations of M101</p> <p>M101 is merely acting as a co-licensee and shall not be entitled to any revenue/profit generated from the License Agreement. In other words, all revenue/profit to be derived from the Hasbro Water Park shall accrue to Meridian.</p> <p>We are of the opinion that the terms of the Collaboration Agreement are <u>reasonable</u> and <u>not detrimental</u> to the non-interested Meridian Shareholders.</p>
5.4	Effects of the Proposed Collaboration	We are of the view that the financial effects of the Proposed Collaboration, taking into account the potential earnings contribution and enhancement to the NA, are expected to be <u>beneficial</u> and <u>not detrimental</u> to the interest of the non-interested Meridian Shareholders.
5.5	Risk factors of the Proposed Collaboration	<p>In considering the Proposed Collaboration, the non-interested Meridian Shareholders are advised to give due and careful regard to the risk factors as mentioned in Section 10.1 of Part A of the Circular.</p> <p>We are of the view that the risk factors associated with the Proposed Collaboration have been adequately considered by Meridian and that the Proposed Collaboration is likely to yield benefits which would outweigh the indicated risks.</p> <p>We wish to highlight that although efforts and measures will be taken by Meridian to mitigate the risks associated with the Proposed Collaboration, no assurances can be given that one or a combination of the risk factors as disclosed in Section 10.1 of Part A of the Circular will not occur and give rise to material and adverse impact on the business operations of Meridian, its financial performance, financial position or prospects thereon.</p>
5.6	Industry Overview and Prospects	Taking into consideration the favourable outlook of the amusement and theme park industry as well as the future plans and prospects of Meridian Group as mentioned in Section 9 of Part A of the Circular, we are of the view that the Proposed Collaboration is <u>reasonable</u> and <u>not detrimental</u> to the interests of the non-interested Meridian Shareholders.

EXECUTIVE SUMMARY

3. CONCLUSION AND RECOMMENDATION

Based on our evaluations as set out in this IAL and summarised in the above section, we are of the opinion that the Proposed Collaboration is **fair and reasonable** insofar as you are concerned.

Therefore, in the absence of unforeseen circumstances, the Proposed Collaboration is in the **best interest** of Meridian and **not detrimental** to the interests of the non-interested Meridian Shareholders.

Accordingly, we recommend that you should **vote in favour** of the resolution to give effect to the Proposed Collaboration to be tabled at the forthcoming EGM of the Company.

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30 November 2022

To: The non-interested shareholders of Meridian Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED COLLABORATION

This IAL is prepared for inclusion in the Circular. All the definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" are references to SCA, being the Independent Adviser for the Proposed Collaboration.

1. INTRODUCTION

On 2 August 2022, Malacca Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

The Proposals include, inter-alia, the proposed collaboration between Meridian and M101 to facilitate the License Agreement for Meridian's development and operation of the Hasbro Water Park.

The Proposed Collaboration is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Securities in view of the interests of Dato' Seth as set out in Section 14.1 of Part A of the Circular. Accordingly, SCA has been appointed as the Independent Adviser on 1 August 2022 to advise the non-interested Directors and non-interested Meridian Shareholders on whether the Proposed Collaboration :

- (i) is fair and reasonable insofar as the non-interested Meridian Shareholders are concerned; and
- (ii) is detrimental to the non-interested Meridian Shareholders.

On 28 October 2022, Malacca Securities had on behalf of the Board, announced that the Company and M101 had on even date via an exchange of letter, agreed for an extension of time for 90 days from 30 October 2022 to 27 January 2023 for the fulfilment of the conditions precedent of the Collaboration Agreement.

Further details of the Proposed Collaboration are set out in Section 2 of Part A of the Circular.

The purpose of this IAL is to provide the non-interested Meridian Shareholders with an independent evaluation on the fairness and reasonableness of the terms and conditions of the Proposed Collaboration and whether it is detrimental to the non-interested Meridian Shareholders together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified in this IAL, on whether the non-interested Meridian Shareholders should vote in favour or against the resolution pertaining to the Proposed Collaboration to be tabled in the forthcoming EGM of the Company.

Nonetheless, you should rely on your own evaluation of the merits of the Proposed Collaboration before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

THIS IAL IS PREPARED SOLELY FOR THE USE OF THE NON-INTERESTED MERIDIAN SHAREHOLDERS TO CONSIDER THE PROPOSED COLLABORATION AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY FOR ANY OTHER PURPOSE WHATSOEVER.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD (SAVE FOR DATO' SETH) AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED COLLABORATION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. LIMITATIONS TO THE EVALUATION OF THE PROPOSED COLLABORATION

SCA was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Collaboration. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to Independent Adviser as set out in the Best Practice Guide in relation to IALs ("**IAL Guide**") issued by Bursa Securities.

Our terms of reference as the Independent Adviser are limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Collaboration insofar as the non-interested Meridian Shareholders are concerned based on information and documents made available to us as set out below :

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) Meridian's announcement dated 2 August 2022 in relation to the Proposals;
- (iii) License Agreement;
- (iv) Collaboration Agreement;
- (v) information contained in the annual reports of Meridian for the FYE 31 December 2018, 18-month FPE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022;
- (vi) discussions and consultation with the Board, management and/or representatives of Meridian on 1 August 2022;
- (vii) other relevant information, documents, confirmations and representations furnished to us by the Board, management and/or representatives of Meridian; and
- (viii) other relevant publicly available information which we have considered relevant for our evaluation.

We have made all reasonable enquiries, performed reasonableness checks, and corroborated relevant information with independent sources, where possible. We are also guided by the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities and we have relied on Meridian as well as its Directors, management and/or representatives to take due care in ensuring that all information, documents and/or representations provided to us to facilitate our evaluation and which have been used, referred to and/or relied upon in this IAL have been fully disclosed to us, and are accurate, valid and complete in all material aspects and free from material omission.

The Board (save for Dato' Seth) has confirmed in writing to us that :

- (i) after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein inaccurate, incomplete or misleading in any respect;
- (ii) all material facts and information required for the purpose of our evaluation of the Proposed Collaboration have indeed been disclosed to SCA, and there are no facts or information, the omission of which would make any information, confirmation and documents supplied to us misleading, or would materially affect the evaluation, views and recommendation of SCA in this IAL; and
- (iii) they have seen, reviewed and accepted this IAL and they individually and collectively accept full responsibility for the accuracy and correctness of the information contained herein.

After having made all reasonable enquiries to the Board (save for Dato' Seth), management and/or representatives of Meridian, and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission. We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. SCA shall not undertake any responsibility or liability for any misstatement of fact or any omissions herein.

The scope of our responsibilities regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions and other implications of the Proposed Collaboration and whether the Proposed Collaboration is detrimental to the non-interested Meridian Shareholders.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implication of the Proposed Collaboration and therefore are of general concern to the non-interested Meridian Shareholders to consider and form their views thereon.

Notwithstanding the foregoing, we :

- (i) do not express any opinion on the commercial risks or commercial merits of the Proposed Collaboration which remains the sole responsibility of the Board, and where comments or points of consideration are included in certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and matters of concern which may be deemed material for disclosure;
- (ii) do not express an opinion on legal, accounting and taxation issues relating to the Proposed Collaboration; and
- (iii) have not given consideration to the specific investment objective, risk profile, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who is/are in doubt as to the action to be taken or require advice in relation to the Proposed Collaboration in the context of their individual investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately. We will not be able to take responsibility for any damages or losses of any kind sustained or suffered by any individual shareholder or group of shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the Collaboration Agreement are able to fulfil their respective obligations thereto. Such conditions may change significantly over a short period of time. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

We confirm that we are not aware of any conflict of interest situation or potential conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposed Collaboration.

We also confirm that we have not had any professional relationship with Meridian in the past 2 years.

We are a holder of a Capital Markets Services License issued by the Securities Commission as a Corporate Finance Adviser who is permitted to carry on the regulated activity of advising on corporate finance under the CMSA. We provide a wide range of corporate finance services which includes advising on initial public offerings, IALs, fairness opinions, mergers and acquisitions, valuation exercises and transactions services.

Pursuant to Paragraph 6.2 of the Best Practice Guide in relation to Independent Advice Letter, there may be occasions where after the despatch of the main circular and IAL, we will notify the shareholders if we become aware of the following :

- (i) significant change affecting the information containing in the IAL;
- (ii) there is a false, misleading / deceptive statement provided in the IAL; and
- (iii) there is a material omission in the IAL.

Our credential and experiences as an Independent Adviser for the past 3 years comprise the following :

(i) IAL dated 21 February 2020 included in the circular of Sand Nisko Capital Berhad (“SNCB”)

Independent advice to the non-interested shareholders of SNCB in relation to the proposed disposal by SNCB of its entire equity interest in Len Cheong Furniture Sdn Bhd, its wholly-owned subsidiary to DPS Realty Sdn Bhd for a total cash consideration of RM10.0 million.

(ii) IAL dated 14 May 2020 included in the circular of Dolphin International Berhad (“Dolphin”)

Independent advice to the non-interested shareholders of Dolphin in relation to the following :

- (a) proposed disposal by Dolphin of its 80% equity interest in Dolphin Biogas Sdn Bhd to Asia Poly Green Energy Sdn Bhd for approximately RM2.1 million cash; and
- (b) proposed acquisition of 6,000,000 ordinary shares in Asia Poly Food and Beverage Sdn Bhd, representing its entire equity interest, by Dolphin from Uncle Don’s Holding Sdn Bhd and Asia Poly Holdings Berhad for a purchase consideration of RM22.0 million to be satisfied via issuance of 131,578,947 new Dolphin shares at an issue price of RM0.076 each and RM12.0 million cash.

(iii) IAL dated 15 June 2020 included in the circular of YKGI Holdings Berhad (“YKGI”)

Independent advice to the non-interested shareholders of YKGI in relation to the proposed repayment of the amount owing by YKGI to Marubeni-Itochu Steel Inc., who is a major shareholder of YKGI, in cash and the other terms and conditions of which are as contained in the repayment agreement.

(iv) IAL dated 11 September 2020 included in the circular of Annum Berhad (“Annum”)

Independent advice to the non-interested shareholders of Annum in relation to the proposed disposal by Annum of its entire equity interest in Poly-ply Industries Sdn Bhd to Zinton for a cash consideration of RM9.1 million.

(v) IAL dated 19 November 2020 included in the circular of Vertice Berhad (“Vertice”)

Independent advice to the non-interested shareholders of Vertice in relation to the Proposed Disposal of 60% equity interest in Kumpulan Voir Sdn Bhd for a total cash consideration of approximately RM16.41 million.

(vi) IAL dated 30 November 2020 included in the circular of Anzo Holdings Berhad (“Anzo”)

Independent advice to the non-interested shareholders of Anzo in relation to the supply agreement, proposed ratification and proposed diversification.

(vii) IAL dated 29 July 2021 included in the circular of Green Packet Berhad (“GPB”)

Independent advice to the non-interested shareholders of GPB in relation to the proposed disposal of up to 612,570,900 ordinary shares of G3 Global Berhad to Puan Chan Cheong for a cash consideration of up to RM91,885,635.

(viii) IAL dated 10 June 2022 included in the circular of Dolphin

Independent advice to the non-interested shareholders of Dolphin in relation to the proposed acquisition by Asia Poly Food and Beverage Sdn Bhd of the entire enlarged equity interest in High Reserve F&B Sdn Bhd from the vendors for a purchase consideration of RM36 million to be satisfied via the allotment and issuance of 282,874,617 new ordinary shares in Dolphin at the issue price of RM0.0654 and RM17.5 million cash consideration.

(ix) IAL dated 30 August 2022 included in the circular of Eonmetall Group Berhad (“Eonmetall”)

Independent advice to non-interested shareholders of Eonmetall in relation to the proposed disposal of 51% equity interest in Lienteh Technology Sdn Bhd for RM35.7 million and proposed rescission of the profit guarantee, call option and stakeholder agreement.

(x) IAL dated 6 October 2022 included in the circular of Minda Global Berhad (“Minda Global”)

Independent advice to non-interested shareholders of Minda Global in relation to the proposed acquisition of the land and buildings by UOC Sdn Bhd (a wholly-owned subsidiary of the Company) from Persada Mewah Sdn Bhd for a total consideration of RM180 million to be satisfied via RM155 million cash and issuance of 357,142,857 new ordinary shares in Minda Global at the issue price of RM0.07 each.

Premised on the foregoing, SCA has the capability and competency to carry out its role as the Independent Adviser of Meridian to advise the non-interested Meridian Shareholders in relation to the Proposed Collaboration and is able to discharge its duties and responsibilities.

3. DETAILS OF THE PROPOSED COLLABORATION

The full details of the Proposed Collaboration are set out in Section 2 of Part A of the Circular and should be read and fully understood in their entirety by the non-interested Meridian Shareholders.

4. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Dato’ Seth, a Malaysian aged 43, is the Executive Director and Chief Executive Officer as well as a shareholder of Meridian. He is also a director and major shareholder of M101 via his shareholdings in Vertical Meridian Sdn Bhd.

Save as disclosed above, none of the Directors and/or major shareholders of Meridian and/or persons connected with them have any interest, direct or indirect, in the Proposed Collaboration.

Please refer to Section 14.1 of Part A of the Circular for the full details.

5. EVALUATION ON THE PROPOSED COLLABORATION

In evaluating the Proposed Collaboration, we have taken into consideration the following factors in forming our opinion :

FACTORS		Section Reference in this IAL
(i)	Rationale for the Proposed Collaboration	5.1
(ii)	Salient Terms of the License Agreement	5.2
(iii)	Salient Terms of the Collaboration Agreement	5.3
(iv)	Effects of the Proposed Collaboration	5.4
(v)	Risk Factors of the Proposed Collaboration	5.5
(vi)	Industry Overview and Prospects	5.6

The views expressed by SCA in this IAL are based on, amongst others, current economic, market and political conditions prevailing as at the LPD. In this respect, the non-interested Meridian Shareholders should take further note of any announcements relevant to their consideration of the Proposed Collaboration which may be released after the LPD.

5.1. Rationale for the Proposed Collaboration

We noted from Section 8.1 of Part A of the Circular on the rationale for the Proposed Collaboration :

The Proposed Collaboration presents an opportunity for the Group to utilise the Licensed Property, to develop and operate the Hasbro Water Park at Malaysia Tourism City. The collaboration will enable the Group to design and build the Hasbro Water Park incorporating features related to the Hasbro brand, which is international renowned. The Group is confident that the Proposed Collaboration will significantly increase the interest and profile of the Malaysia Tourism City.

Upon commencement of the Hasbro Water Park, the Group will be able to derive an additional recurrent income stream through ticket and merchandise sales.

SCA's comments

In evaluating the rationale for the Proposed Collaboration, we have considered the following :

- (a) the financial performance and financial position of Meridian Group for FYE 31 December 2018, 18-month FPE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022;
 - (b) the breakdown of revenue and profit of the Group by business segments;
 - (c) reason of delay in developing and operating the Hasbro Water Park;
 - (d) Meridian and M101's respective obligations under to the Collaboration Agreement; and
 - (e) Meridian's diversification into the hospitality and leisure industry.
- (i) **The financial performance and financial position of Meridian Group for FYE 31 December 2018, 18-month FPE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022**

We noted that Meridian is principally involved in investment holding whilst the main business segments of Meridian Group comprise property development, construction, property investment, cultivation of oil

palm and project management services. We have also considered the breakdown of revenue and profit of the Group by business segments.

The revenue and profit of Meridian Group based on the audited consolidated financial statements for FYE 31 December 2018, 18-months FPE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022 are as follows :

	Audited			
	FYE 31	^(a) 18-month	FYE 30	FYE 30
	December	FPE 30	June 2021	June 2022
	2018	June 2020	June 2021	June 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	13,135	20,750	32,671	15,792
Gross (loss)/profit	(2,271)	13,790	(2,158)	(948)
(LBT)/PBT	(22,726)	971	(6,048)	(14,409)
(LAT)/PAT	(23,271)	968	(9,065)	(12,309)
Weighted number of ordinary shares	492,555	530,121	609,553	839,422
(Loss)/Profit per share (sen)	(4.73)	0.18	(1.49)	(1.47)
Accumulated losses	(143,078)	(142,115)	(151,180)	(154,602)
NA	118,154	125,989	137,286	133,587
Number of shares outstanding (excluding treasury shares) ('000)	482,992	579,590	753,467	904,175
NA per share (RM)	0.24	0.22	0.18	0.15
Total borrowings (including lease liabilities)	38,210	31,301	14,800	17,584
Gearing ratio (times)	0.32	0.25	0.11	0.13
Current assets	63,695	55,973	34,610	21,854
Current liabilities	80,901	74,547	57,331	44,292
Current ratio (times)	0.79	0.75	0.60	0.49
Cash flows position :				
Cash flows from operating activities	(3,984)	4,464	(10,412)	(22,265)
Cash flows from investing activities	265	(1,276)	3,858	(80)
Cash flows from financing activities	2,383	(4,340)	18,500	10,474
Net cash flows	(1,336)	(1,152)	11,946	(11,871)
Cash and cash equivalents	(11,753)	(12,905)	(959)	(12,830)

Note :

- (a) *The Board had on 3 March 2020 approved the change of the Company's financial year end from 31 December to 30 June. Following the change of financial year end, the audited financial statements made up for a period of 18 months from 1 January 2019 to 30 June 2020.*

The breakdown of revenue and profit of the Group by business segments based on the audited consolidated financial statements for the FYE 31 December 2018, 18-months FPE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022 are as follows :

Revenue

Segments	Audited			
	FYE 31 December	18-months	FYE 30 June	FYE 30
	2018	FPE 30 June	2021	June 2022
	RM'000	RM'000	RM'000	RM'000
Property development	1,726	16,923	20,727	12,792
Construction	7,669	-	9,600	-
Property investment	2,604	3,648	1,844	1,174
Others	^(a) 1,136	179	500	1,826
	13,135	20,750	32,671	15,792

Profit/(Loss)

Segments	Audited			
	FYE 31 December	18-months	FYE 30 June	FYE 30
	2018	FPE 30 June	2021	June 2022
	RM'000	RM'000	RM'000	RM'000
Property development	(31,447)	4,303	(743)	(1,438)
Construction	3,488	(5,261)	229	(271)
Property investment	13,274	3,882	5,667	(1,191)
Others	^(a) (8,586)	(1,956)	^(b) (14,218)	^(b) (9,409)
	(23,271)	968	(9,065)	(12,309)

Note :

- (a) Including revenue and profits from hotel operation which were discontinued in the FYE 31 December 2018 in view that the hotel operation was not generating profit.

For avoidance of doubt, the Group did not own any hotel during the aforementioned financial years. Nevertheless, the Group had managed the operation of the following hotel during the aforementioned financial years :

No.	Name of hotel and location	Years of operation	Revenue generated in the last financial year of operation (RM'000)
(aa)	The Summit Bukit Mertajam, Penang	17	508

- (b) The other segments comprise of investment holding, cultivation of oil palm and project management services. Generally, these segments generate minimal revenue and the overhead expenses at the holding company is recognised under this segment i.e. Directors' remunerations and staff costs, depreciation charges, administrative cost and finance charges.

During the FYE 30 June 2021, in addition to the aforementioned overhead expenses, the other segments also recognised impairment losses on receivables amounting to RM2.2 million as well as recognition of tax provision on expenses not deductible for tax purpose amounting to RM2.4 million.

During the FYE 30 June 2022, in addition to the aforementioned overhead expenses, the other segments also recognised a reversal of payable written-off amounting to RM5.2 million in relation to an amount owed to a former wholly-owned subsidiary. During FYE 30 June 2021, the former subsidiary had waived the amount owed by Meridian. However, subsequent to the waiver, Meridian had made a payment of RM5.2 million to settle a bank borrowing taken by the former subsidiary as Meridian is the corporate guarantor for the said bank borrowing. In view thereof, Meridian had reversed the payable written-off in FYE 30 June 2022 to offset the RM5.2 million bank borrowing settled by Meridian in view that Meridian is unable to collect the said amount from the former subsidiary which had since been wound up.

FYE 31 December 2018 (“FY2018”)

The revenue decreased by 30.89% from RM19.0 million in FYE 31 December 2017 (“FY2017”) to RM13.1 million in FY2018. Revenue for Meridian Group’s property development segment decreased to RM1.7 million (FY2017: RM7.0 million) due to lower sales activity and there were no projects completed during the financial year. Revenue for the construction segment decreased to RM8.0 million (FY2017: RM8.4 million) as the construction projects undertaken were at the tail-end stage. Revenue for the hotel operations segment decreased to RM0.5 million (FY2017: RM2.4 million) as the Meridian Group’s remaining hotel operation ceased effective 1 April 2018.

The LAT increased by RM14.4 million from RM8.9 million in FY2017 to RM23.3 million in FY2018. The increase in LAT was mainly due to increase of impairment losses on trade and other receivables of RM6.0 million in FY2018, gain on revaluation of a residential property with 393 car park lots at The Arc@Cyberjaya of RM7.0 million and reversal of provision on guaranteed rental return of RM2.5 million which was recognised in the FY2017.

The accumulated losses increased by RM17.1 million from RM126.0 million in FY2017 to RM143.1 million in FY2018 which was due to the LAT generated during the financial year.

18-months FPE 30 June 2020 (“FY2020”)

In view of the change of the financial year end from 31 December 2019 to 30 June 2020, there is no comparative financial information available for the 18 months FPE 30 June 2020. Revenue for the financial period ended 30 June 2020 was recorded at RM20.8 million, mainly driven by the sales of landed development properties in Kuala Linggi and sale of inventory in the Bukit Mertajam Summit Mall, resulting in PAT of RM1.0 million.

The accumulated losses has decreased by RM1.0 million from RM143.1 million in FY2018 to RM142.1 million in FY2020 which was due to the PAT generated during the financial year.

FYE 30 June 2021 (“FY2021”)

For the FY2021, the Group achieved a revenue of RM32.7 million, representing a 57.45% increase from the FY2020 despite a shorter financial period in FY2021. The property investment segment and property development segment are the major contributors to the Group revenue through the sale of inventories in Bukit Mertajam, Penang and Tanjong Kling, Melaka.

The Group made a LBT of RM6.1 million for the financial year under review compared to a PBT of RM1.0 million in FY2020. The Group posted a LAT of RM9.1 million in FY2021 compared to a PAT of RM1.0 million in FY2020. The current year loss of RM9.1 million arose due to the provision of tax of RM3.0 million, impairment loss on trade receivables of RM0.6 million and impairment loss on other receivables of RM2.1 million.

The accumulated losses increased by RM9.1 million from RM142.1 million in FY2020 to RM151.2 million in FY2021 which was due to the LAT generated during the financial year.

FYE 30 June 2022 (“FY2022”)

The Group recorded a revenue of RM15.8 million, representing a 51.66% decreased from FY2021. The revenue was mainly derived from the property development segment through selling of inventories of RM12.8 million, property investment segment through rental income from the investment properties of RM1.2 million and sale of palm kernel of RM1.8 million.

The LAT increased by RM3.2 million from RM9.1 million in FYE 2021 to RM12.3 million in FYE 2022. The increase in the LAT was mainly due to decrease in the revenue of the Group which was negated by the over provision of tax in previous year of RM2.1 million.

The accumulated losses increased by RM3.5 million from RM151.2 million in FY2021 to RM154.6 million in FY2022 which was due to LAT generated during the financial year as well as the transfer of warrants reserve of RM8.9 million to accumulated losses upon expiry of warrants.

Moving forward, the Group expects to improve its accumulated losses position via profits to be generated from its operations. If necessary, Meridian may in the future, consider a capital reduction exercise to reduce the Group’s accumulated losses.

(ii) The breakdown of revenue and profit of the Group by business segments

We take note that, from FY2018 to FY2022, revenue from the property development, construction and property investment segments have been volatile. In FY2022, all reporting segments have reported total LAT of RM12.2 million.

We note that the recent global market uncertainties and weak market sentiments had affected Meridian Group’s earnings in recent years. Based on the financial performance of Meridian Group as set out above, we noted that Meridian Group has been incurring LAT since FY2021.

Taking into account the above, Meridian Group is cognisant that the operating landscape for the property development industry will continue to remain challenging. Therefore, Meridian intends to diversify its revenue stream and proceed with the development of its existing landbank of approximately 620.1 acres (approximately 250.9 hectares) at Kuala Linggi, Melaka by developing the Malaysia Tourism City project over three phases. The development of Hasbro Water Park is comprised in Phase 1 of the Malaysia Tourism City project, where Phase 1 development of the Hasbro Water Park (comprising 13 attraction points which include, amongst others, 9 water slides, 3 water houses, 1 adventure park and 2 spray playgrounds, subject to the approval by Hasbro Int), the development of which has commenced in December 2019 but stopped in March 2020 due to COVID-19 pandemic, is expected to resume in February 2023 and is expected to complete in June 2025.

(iii) Reason of delay in developing and operating the Hasbro Water Park

As elaborated in Section 2 of Part A of the Circular, we take note that upon entering into the Contract No. 130673 with Hasbro Int on 21 December 2018, M101 (as a property developer) had intended to enter into a joint venture with Meridian Group to develop and operate the Hasbro Water Park on the Kuala Linggi Land. However, such plan was delayed due to inability to secure funding, uncertain economic outlook as well as the COVID-19 pandemic. Notwithstanding the delay of the plan, M101 had in 2019 appointed a third-party design firm, namely Steadman Design Studio, Inc. and had incurred RM0.3 million to develop a Design Concept Plan for the Hasbro Water Park. Nevertheless M101 was unable to consider the Design Concept Plan developed by Steadman Design Studio, Inc. after considering, amongst others, the cost required. In January 2021, another third-party design firm, namely Sim Leisure Far East Co., Ltd. was appointed to undertake the Design Concept Plan for the Hasbro Water Park, with the intention to reduce the construction cost for the project. As at LPD, M101 has yet to submit the Design Concept Plan to Hasbro Int as M101 and Meridian Group are still in the midst of finalising the Design Concept Plan with Sim Leisure Far East Co, Ltd. For information, neither M101 nor Meridian Group had incurred any cost relating to the appointment of Sim Leisure East Co., Ltd. for the development of the Design Concept Plan.

We take note of the amendments made to Contract No. 130673 dated 21 December 2018 by way of the First Amendment to Contract No. 130673 dated 1 August 2022 between Hasbro Int, M101 and Hasbro as stated in Section 2 of Part A of the Circular, mostly to accommodate the delay due to inability to secure

funding, uncertain economic outlook as well as the COVID-19 pandemic. As there had not been any physical progress carried out by M101 on the Kuala Linggi Land mainly due to impact of COVID-19 pandemic, we are of the opinion that the amended timeline is reasonable. Please refer to the below for our comments on the amended timeline.

No.	Terms and Conditions	Contract No. 130673	First Amendment to Contract No. 130673	SCA's Comments
1	Development Term	21 December 2018 to 31 December 2021	1 August 2022 to 31 December 2025	This amended timeline is reasonable as Meridian will require a 3-year period to carry out and complete the construction of the Hasbro Water Park.
2	Initial Term	1 January 2022 to 31 December 2035	1 January 2026 to 31 December 2035	We noted that Initial Term has been reduced from 13 years to 9 years. This is due to delay in completion of the Development Term i.e. 31 December 2025.
3	Soft Opening Date	No later than 1 June 2022	No later than 90 days prior to the Grand Opening Date	As the Development Term has been revised to complete by 31 December 2025, it is reasonable that the Grand Opening Date be revised to a date no later than 1 January 2026, and that the Soft Opening be revised to a date no later than 90 days prior thereto.
4	Grand Opening Date	No later than 1 January 2023	No later than 1 January 2026	
5	Development Schedule			As the commencement date of the Development Term has been delayed for approximately 43 months (from 21 December 2018 to 1 August 2022), it is reasonable that the compliance dates with regard to the development schedule be revised accordingly.
a)	Outline of dates for additional critical path project development milestones submitted to Licensor for approval	No later than 2 months from 21 December 2018	No later than 1 January 2023	
b)	Selection of a third party design firm	No later than 2 months from 21 December 2018	No later than 1 March 2023	
c)	Design Concept Plan submitted to Licensor for approval	No later than 6 months from 21 December 2018	No later than 1 June 2023	
d)	Analysis of the economic and operational feasibility of the Project	No later than 1 May 2019	No later than 1 June 2023	
e)	Project Production Schedule	No later than 1 May 2019	No later than 1 September 2023	

No.	Terms and Conditions	Contract No. 130673	First Amendment to Contract No. 130673	SCA's Comments
f)	Construction and development design package submitted to Licensor for approval	No later than 1 September 2019	No later than 1 September 2023	
g)	Full financing of at least the Minimum Capital Investment of US\$12,000,000 equivalent to RM54,858,000*) (as set out in Section 2.6 of Part A of this Circular) completed and documentation evidencing completion received by Licensor	No later than 1 January 2020	No later than 1 September 2023	
h)	Commencement of project construction	No later than 1 January 2020	No later than 1 January 2024	
6	Financial Terms	Development fee and initial term minimum guarantee, which the initial term minimum guarantee is recoupable against royalties earned during the Initial Term period.	Development fee and initial term minimum guarantee, which the initial term minimum guarantee is recoupable against royalties earned during the revised Initial Term period.	As the Initial Term has been revised, it is reasonable that the period for the royalties earned be revised accordingly.

(iv) Meridian and M101's respective obligations under to the Collaboration Agreement

For the avoidance of doubt, M101 did not receive any consideration for the Collaboration Agreement and will not receive any entitlement in connection with the License Agreement nor any financial reward / fee and/or benefits in kind from Meridian and/or Hasbro Int for facilitating the communication between the parties nor any reimbursement of expenses incurred prior to the signing of the Collaboration Agreement. All profits to be derived from the Hasbro Water Park shall accrue to Meridian. M101 shall provide assistance in facilitating the communication between Meridian and Hasbro Int regarding the License Agreement.

We also take note that Meridian had launched the development of Malaysia Tourism City in May 2019 where Phase 1 of Hasbro Water Park was expected to complete in March 2025 based on initial plans. However, due to COVID-19 pandemic, we take note that the Group had in 2020 decided to put on hold on the development of the Malaysia Tourism City in order to conserve its cash flows for its day-to-day operations.

Since the signing of Contract No. 130673 on 21 December 2018, M101 and Meridian Group had discussed various forms of joint venture to develop and operate the Hasbro Water Park on the Kuala Linggi Land. Nevertheless, such joint venture was not finalised due to the inability to secure funding, uncertain economic outlook as well as the COVID-19 pandemic. After considering the various forms of joint venture between M101 and Meridian Group, the Proposed Collaboration was decided after considering that this would be the most appropriate arrangement to avoid any future conflict of interest as Meridian will bear all costs associated with the development of the Hasbro Water Park and M101 will not be receiving any benefit from the Hasbro Water Park moving forward. Essentially, the Proposed Collaboration entails M101 relinquishing its obligations as well as benefits of the Hasbro Water Park to Meridian Group.

In accordance with the terms of the License Agreement whereby Meridian has now been included as a licensee, Meridian is now a party to the License Agreement who will be dealing directly with Hasbro Int moving forward. Nevertheless, Meridian intends to capitalise on the relationship and good rapport established by Dato' Seth with Hasbro in the past. As such, the Collaboration Agreement was entered into with a focus for M101 to relinquish all its obligations as well as benefits of the Hasbro Water Park to Meridian Group, and for M101 (i.e. Dato' Seth) to continue to facilitate the communication between Hasbro Int and Meridian.

The salient terms of the License Agreement are set out in Appendix II and the salient terms of the Collaboration Agreement are set out in Appendix III of this Circular.

(v) Diversification into the hospitality and leisure industry

As the Hasbro Water Park represents the Meridian Group's first foray into the leisure industry, the Group believes that it can leverage on the experience gained by Dato' Seth and Mr Ng in the property development industry in the past to develop and manage the Hasbro Water Park. In addition, the License Agreement sets out amongst others the requirement to submit the development plan and analysis of the economic and operation feasibility of the Hasbro Water Park for Hasbro Int's approval prior to the construction of the Hasbro Water Park. Whilst the Group intends to employ a professional management team to manage the Hasbro Water Park moving forward, the Group believes that it can also leverage on Hasbro Int's experience to develop and operate the Hasbro Water Park.

By virtue of the Proposed Collaboration, Meridian will be able to design and build the Hasbro Water Park incorporating features related to the Hasbro brand, which is internationally renowned. The Proposed Collaboration for Meridian's development and operation of the Hasbro Water Park on part of the 620.1-acre (approximately 250.9 hectares) land at Kuala Linggi owned by Meridian Group is expected to significantly increase the interest and profile of the Malaysia Tourism City as Hasbro Water Park will attract tourists to visit and explore Malaysia Tourism City. Upon commencement of operation of Hasbro Water Park (which is expected to be on or before January 2026), additional recurring income stream will be derived for Meridian through ticket and merchandise sales.

We concur with the rationale that the Proposed Collaboration is a strategic move by Meridian to derive additional recurring income stream for Meridian upon commencement of operation of Hasbro Water Park. The Proposed Collaboration is expected to broaden and expand Meridian's earning base, with a long-term view of improving the overall financial performance of Meridian.

Taking into consideration the above, we are of the view that the rationale for the Proposed Collaboration is **reasonable and not detrimental** to the non-interested Meridian Shareholders.

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5.2. Salient Terms of the License Agreement

We refer to the salient terms of the License Agreement set out in Appendix II of the Circular.

SCA's comments

As the purpose of the Collaboration Agreement is to facilitate the License Agreement for Meridian's development and operation of the Hasbro Water Park, our comments on the salient terms of the License Agreement are as follows :

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
Appendix II, Section 2	<p><u>Licensed Property and Grant of Rights</u></p> <p>The licensed property entails the following:-</p> <ul style="list-style-type: none"> (a) BATTLESHIP – CLASSIC; (b) G.I. JOE – CLASSIC MILITARY; (c) MY LITTLE PONY: FRIENDSHIP IS MAGIC – TELEVISION SERIES; (d) MR. POTATO HEAD – CLASSIC; (e) MONOPOLY; (f) ELEFUN or ELEFUN & FRIENDS; (g) MOUSE TRAP; (h) NERF; and (i) PLAY-DOH. <p>(“Licensed Property”)</p> <p>In consideration of the payments payable under the License Agreement, Hasbro International, Inc. (“Licensor”) grants to M101 Holdings Sdn Bhd and Meridian Berhad (collectively, the “Licensees”) the right to utilise the Licensed Property during the Term solely for the following:-</p> <ul style="list-style-type: none"> (a) the design, development, manufacture and assembly of the Project (as described in Section 3 of Appendix II of this Circular), Licensed Physical Product (as described in Section 1 of Appendix II of this Circular) and/or licensed digital product (if any); 	<p>This term clearly states the trademarks, logos and copyrights of the Hasbro brands granted to M101 and Meridian by Hasbro Int for purposes of the Project, which include amongst others, the rides design, display, digital products, advertisement and promotion of the Hasbro Water Park.</p> <p>This clause is in line with common practice and is a general commercial term.</p> <p>We are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>(b) the construction, installation, production, performance, sale, distribution, operation, display and maintenance of the Project, Licensed Physical Product and/or licensed digital product (if any) in the Project Venue in the Territory; and</p> <p>(c) the advertisement and promotion of the Project and the sales and distribution for admission to the Project in the Territory.</p>	
Appendix II, Section 3	<p><u>Project</u></p> <p>The Licensor grants to the Licensees the right to utilise the Licensed Property in connection with the following during the Term, in the Venue in the Territory ("Project"):-</p> <p>(a) Water rides (wet type rides including water slides, wave pools, lazy river, splash down, log flume, river raft ride and aqua play) which shall solely feature the Licensed Property during the Term.</p> <p>(b) Themed environments such as the changing rooms, the common areas and the box office.</p> <p>Both (a) and (b) above shall comprise a minimum of 70% of the total Project Venue.</p> <p>(c) Strolling costumed characters ("Strolling Characters") that will meet and greet visitors to the Project and provide the visitors with photograph taking opportunities, free of charge. Each Strolling Character is subject to the Licensor's prior written approval in Licensor's sole discretion;</p> <p>(d) Non-ticketed Licensed Property-themed, non-scripted live dance shows by the Scrolling Characters at the Project Venue, consisting of choreographed dance set to music with no dialogue intended for</p>	<p>This term states that the Licensed Property shall remain in Hasbro Int's control while granting Meridian and M101 with exclusive rights to utilise the Licensed Property within the Venue in Malaysia and within the duration of the Term.</p> <p>This term also states that the right to utilise the Licensed Property shall be mainly for water rides, themed changing rooms and common areas which will take up a minimum of 70% of the space of the Venue.</p> <p>This term also provides the right to utilise the Licensed Property for Strolling Characters, non-ticketed Live Dance Shows, parades and F&B Area, all of which serve to support the main experience of the Hasbro Water Park's water rides.</p> <p>This term sets out clearly the rights of Meridian in connection with the Project which are essential to support the operation of Hasbro Water Park. Hence, we are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>families (“Live Dance Shows”), which concept is subject to the Licensor’s prior written approval in Licensor’s sole discretion;</p> <p>(e) Licensed Property themed short-term events such as a festival and parades, which shall primarily be water-based events;</p> <p>(f) Themed environments in cafeterias, food courts, cafes, snack bars, restaurants and other food and beverage areas within the Project Venue (“F&B Area”) which shall solely feature the Licensed Property but non-Licensed Property-branded food, beverage or other articles or products necessary for the operation are allowed to be used or sold; and</p> <p>(g) Retail shops and stands.</p>	
Appendix II, Section 4	<p><u>Exclusivity</u></p> <p>The Licensees shall have the exclusive use of Licensed Property as set out in Sections 3(a) and 3(b) of Appendix II of this Circular as a package of rights for exploitation in a Venue in a Territory during the Term.</p> <p>The Licensees’ rights in connection with Licensed Property as set out in Sections 3(c) to 3(g) of Appendix II of this Circular shall be non-exclusive, and the Licensor reserves the right to exercise such rights worldwide.</p>	<p>This term is reasonable as Meridian and M101 are given the exclusive rights to use the Licensed Property in water rides and themed common areas in the Hasbro Water Park. This term allows Hasbro Int to exercise the right of use of the Licensed Property worldwide, save for water rides and themed common areas within Malaysia and during the duration of the Term of the License Agreement.</p> <p>This term safeguards the interest of Meridian and M101 as it restricts the use of the Licensed Property in the event Hasbro Int is approached by an interested party looking to operate a similar water theme park in Malaysia.</p> <p>We are of the opinion that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>
Appendix II, Section 5	<p><u>Project Venue</u></p> <p>The Venue of Hasbro Water Park entails a water park being an entertainment location, that offers primarily water-based rides and attractions and markets itself as a “water park” or water-centric location to the public and measuring between 4 hectares (approximately 9.9 acres) to 10 hectares (approximately</p>	<p>This term sets out the location and size of the land on which Hasbro Water Park is to be developed and operated on and the main features of the Hasbro Water Park.</p> <p>We are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA’s comments						
	24.7 acres) in area. The Project Venue is held under Lot PT 1374 and Lot 1826, Mukim Alor Gajah, Melaka, Malaysia.							
Appendix II, Section 6	<p><u>Territory</u></p> <p>Save for the use of the Licensed Property solely regarding advertisement and promotion of the Project, as well as the sales and distribution of admission to the Project which shall be worldwide, the territory of Hasbro Water Park shall be Malaysia.</p>	<p>This term is reasonable as it serves to safeguard Meridian and M101’s interest to operate the Hasbro Water Park within Malaysia.</p> <p>This clause is in line with common practice and is a general commercial term.</p> <p>We are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>						
Appendix II, Section 7	<p><u>Term</u></p> <p>The Development Term means the period from the date of execution of the First Amendment to Contract No. 130673, i.e. 1 August 2022 to 31 December 2025, whereas the Initial Term means 1 January 2026 to 31 December 2035.</p>	<p>This term outlines when the License Agreement becomes a legally enforceable contract being from the date of execution of the First Amendment to Contract No. 130673, i.e. 1 August 2022 to 31 December 2025 being the expected construction completion date as well as the Initial Term, being the Grand Opening Date and 10 years post-commencement of Hasbro Water Park.</p> <p>The term is considered to be common in most license agreements.</p> <p>We are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>						
Appendix II, Section 8	<p><u>Development Schedule</u></p> <table><tr><th>Milestone</th><th>Date/Period</th></tr><tr><td>Receipt of the full insurance policies in place in accordance with the License Agreement by Licensor.</td><td>No later than the dates as set out in Section 10, Appendix II of this Circular.</td></tr><tr><td>Submission of the outline of dates for additional critical path Project development milestones to Licensor for approval, and automatically be deemed additional milestones</td><td>On or before 1 January 2023.</td></tr></table>	Milestone	Date/Period	Receipt of the full insurance policies in place in accordance with the License Agreement by Licensor.	No later than the dates as set out in Section 10, Appendix II of this Circular.	Submission of the outline of dates for additional critical path Project development milestones to Licensor for approval, and automatically be deemed additional milestones	On or before 1 January 2023.	<p>Designing an excellent attraction requires meticulous planning and execution. There are various phases of the development of the Hasbro Water Park such as the design phase, feasibility phase and construction phase.</p> <p>This term states the expected milestones to be achieved by Meridian and M101, by a certain date or within a predetermined specified period, such as :</p> <p>(a) the Project development milestones and selection of a Third-Party design firm is due for Hasbro Int’s approval by early 2023;</p>
Milestone	Date/Period							
Receipt of the full insurance policies in place in accordance with the License Agreement by Licensor.	No later than the dates as set out in Section 10, Appendix II of this Circular.							
Submission of the outline of dates for additional critical path Project development milestones to Licensor for approval, and automatically be deemed additional milestones	On or before 1 January 2023.							

Reference in the Circular	Salient terms of the License Agreement		SCA's comments
	incorporated into and part of the Development Schedule upon Licensor's written approval.		<p>(b) the design concept plan, and the analysis of the economic and operational feasibility of the Project is due for Hasbro Int's approval by mid-2023;</p> <p>(c) the Project production schedule, the construction and development design package and completion of the full financing of at least the Minimum Capital Investment by September 2023; and</p> <p>(d) Operations Guidelines, Disaster Recovery/Business Continuity Plan, the first Audit Report, ticketing and marketing plan prior to the Grand Opening Date.</p> <p>We are of the view that the timeline is reasonable.</p> <p>We note that the commencement of Project construction is on or before 1 January 2024 and the Grand Opening Date is no later than 1 January 2026. We are of the view that the construction period of 2 years is reasonable.</p> <p>This term is customary in transactions of similar nature and hence, we are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>
	Selection of a Third-Party design firm.	On or before 1 March 2023.	
	Submission of the design concept plan to Licensor for approval.	On or before 1 June 2023.	
	Submission of the analysis of the economic and operational feasibility of the Project to Licensor for approval.	On or before 1 June 2023 and updated for each material addition or revision to the Project, Licensed Physical Product (if any), licensed digital product (if any) and/or Project component during the Term.	
	Submission of the Project production schedule to Licensor for approval.	On or before 1 September 2023.	
	Submission of the construction and development design package to Licensor for approval.	On or before 1 September 2023.	
	Completion of the full financing of at least the Minimum Capital Investment as set out in Section 9, Appendix II of this Circular) and receipt of documentation evidencing completion by Licensor.	On or before 1 September 2023.	
	Commencement of Project construction.	On or before 1 January 2024.	

Reference in the Circular	Salient terms of the License Agreement		SCA’s comments
	Submission of Operations Guidelines, Disaster Recovery/Business Continuity Plan and the first Audit Report (as defined in the Standard Terms and Conditions of the License Agreement) to Licensor for approval.	No later than 90 days prior to the Soft Opening Date (as defined below).	
	Delivery of ticketing and marketing plan to Licensor.	No later than 90 days prior to the Grand Opening Date (as defined below).	
	Soft Opening Date	No later than 90 days prior to the Grand Opening Date (as defined below).	
	Grand Opening Date	The date which the Project officially opens to the public, no later than 1 January 2026.	
	Project operational	Soft Opening Date through end of Term.	
	Receipt of documentation evidencing and accounting for the expenditure of at least the Minimum Capital Investment by Licensor.	No later than 90 days after the Grand Opening Date.	
Appendix II, Section 9	<p><u>Financial Terms</u></p> <p>The Licensees shall pay to Licensor the following fees and payments:</p> <p>(a) Development Fee (which is required to be paid in stages up to 1 November 2024, the first payment shall not be later than 20 December 2022) and Initial Term Minimum Guarantee aggregating US\$16,500,000 (equivalent to RM75,429,750*) of which the Initial</p>		<p>We note that this term serves to outline the payment obligations of Meridian and M101 towards Hasbro Int. We find that this term is not reasonable as generally, the financial obligations shall be shared between Meridian and M101.</p> <p>Pursuant to the Collaboration Agreement dated 1 August 2022 between Meridian and M101, Meridian will assume all obligations (including financial obligations) and development costs as set out in the License</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments												
	<p>Term Minimum Guarantee is recoupable against Royalties (as set out in Section 9(b) below) earned, during the Initial Term from 1 January 2026 to 31 December 2035;</p> <p>The Development Fee and Initial Term Minimum Guarantee amounting to US\$16,500,000 (equivalent to RM75,429,750*) was arrived at based on the estimated Royalties to be generated in the Hasbro Water Park during the period of the Initial Term. The Royalties are to be deducted from the Initial Term Minimum Guarantee as illustrated below:-</p> <table> <tr> <td></td><td>US\$</td><td>RM equivalent*</td></tr> <tr> <td>Assumed royalties to be paid for the period from 1 January 2026 – 31 December 2026</td><td>750,000</td><td>3,428,625</td></tr> <tr> <td>Initial Term Minimum Guarantee payment for the period from 1 January 2026 – 31 December 2026</td><td>(500,000)</td><td>2,285,750</td></tr> <tr> <td>Balance Royalties to be paid after deducting the Initial Term Minimum Guarantee payment</td><td><u>250,000</u></td><td><u>1,142,875</u></td></tr> </table> <p>(b) Royalties, the sum of which is to be computed based on an agreed stipulated percentage on the net revenues in connection with the Hasbro Water Park and F&B areas, which are non-returnable and non-refundable, for a period from 1 January 2026 to 31 December 2035; and</p> <p>(c) Sponsorship Fees, the sum of which is to be computed based on an agreed stipulated percentage on the Licensor-Generated Sponsorship and Licensee-Generated Sponsorship derived from the Project, which are non-refundable and non-recoupable, for a period from 1 January 2026 to 31 December 2035. The Board is of the view that the payment of Sponsorship Fees derived from Licensee-Generated Sponsorship to</p>		US\$	RM equivalent*	Assumed royalties to be paid for the period from 1 January 2026 – 31 December 2026	750,000	3,428,625	Initial Term Minimum Guarantee payment for the period from 1 January 2026 – 31 December 2026	(500,000)	2,285,750	Balance Royalties to be paid after deducting the Initial Term Minimum Guarantee payment	<u>250,000</u>	<u>1,142,875</u>	<p>Agreement and will be required to provide a land as the venue for the Hasbro Water Park.</p> <p>M101 is merely acting as a co-licensee and shall not be entitled to any revenue/profit generated from the License Agreement. All profits to be derived from the Hasbro Water Park shall accrue to Meridian.</p> <p>As Meridian will be solely entitled to the revenue/profit generated from the License Agreement, we are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p> <p>As Meridian will be solely responsible for all financial, execution and implementation obligations under the License Agreement, Clause 4 of the Collaboration Agreement states that M101 is merely acting as a co-licensee and shall not be entitled to any revenue/profit generated from the License Agreement.</p> <p>For the avoidance of doubt, M101 did not receive any consideration for the Collaboration Agreement and will not receive any entitlement in connection with the License Agreement nor any financial reward / fee and/or benefits in kind from Meridian and/or Hasbro Int for facilitating the communication between the parties nor any reimbursement of expenses incurred prior to the signing of the Collaboration Agreement. All profits to be derived from the Hasbro Water Park shall accrue to Meridian. M101 shall provide assistance in facilitating the communication between Meridian and Hasbro Int regarding the License Agreement.</p> <p>We note that the Initial Term Minimum Guarantee is recoupable against Royalties earned. This term safeguards Meridian's interest as Meridian does not have to pay Royalties to Hasbro Int save in the event that the Royalties are higher than the Initial Term Minimum Guarantee, during the Initial Term, Meridian will have to pay to Hasbro Int the amount in excess of the Initial Term Minimum Guarantee. We note that this term</p>
	US\$	RM equivalent*												
Assumed royalties to be paid for the period from 1 January 2026 – 31 December 2026	750,000	3,428,625												
Initial Term Minimum Guarantee payment for the period from 1 January 2026 – 31 December 2026	(500,000)	2,285,750												
Balance Royalties to be paid after deducting the Initial Term Minimum Guarantee payment	<u>250,000</u>	<u>1,142,875</u>												

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>the Licensor is fair and reasonable as the Board is of the view that the branding of the Hasbro Water Park would be essential to attract visitors to the Hasbro Water Park and similarly, the Licensee would have likely derived the sponsorship from the branding of the Hasbro Water Park.</p> <p>The Licensees further agree for a Minimum Capital Investment of US\$12,000,000 (equivalent to RM54,858,000*), to be spent on the construction of the Project. The Minimum Capital Investment was arrived at based on the draft plans presented by M101 to the Licensor prior to the date of the License Agreement in 2018.</p>	<p>is deemed reasonable and not detrimental to the non-interested Meridian Shareholders.</p> <p>We note that the Royalties and Sponsorship Fees are non-refundable and non-recoupable. We note that this term is mutually agreed between the parties and is deemed reasonable and not detrimental to the non-interested Meridian Shareholders.</p> <p>We also concur with the view of the Board that the branding of the Hasbro Water Park would be essential to attract visitors to the Hasbro Water Park and similarly, Meridian would have likely derived the sponsorship from the branding of the Hasbro Water Park.</p> <p>Premised on the foregoing, on a collective basis, we are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>
Appendix II, Section 10	<p><u>Insurance Requirements</u></p> <p>The following insurance minimum limits (“Minimum Insurance Limits”) shall apply to the Project :-</p> <p>(a) <u>Commercial General Liability</u>: US\$10,000,000 (equivalent to RM45,715,000*) per occurrence and US\$10,000,000 (equivalent to RM45,715,000*) in annual aggregate, to be in place for each individual Project, prior to the start of development or design or each such individual Project;</p> <p>(b) <u>Workers’ Compensation/Employer’s Liability</u>: As required by and at the limits required by law but with Employer’s Liability limits not less than US\$1,000,000 (equivalent to RM4,571,500*) per occurrence to be in place no later than the date of signing of the License Agreement or upon hiring of any personnel for each individual Project;</p>	<p>Business insurance for amusement parks protects Meridian’s assets in the wake of injury and property damage claims made by third parties. Without the coverage, Meridian could be liable for thousands or even millions in damages.</p> <p>Meridian Group will be required to ensure that it adheres to minimum insurance limit aggregating US\$116.0 million (equivalent to RM530.3 million), the breakdown of which are set out in Section 10 of Appendix II of the Circular. The total insurance premium to be paid per annum is unable to be quantified at this juncture as Meridian Group can only engage with the relevant insurer subsequent to the completion of the construction of the Hasbro Water Park.</p> <p>The various insurance required for the Project includes :</p> <p>(a) <u>Commercial General Liability</u> for general business risks;</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>(c) <u>Commercial Automobile Liability</u>: US\$2,000,000 (equivalent to RM9,143,000*) per occurrence to be in place prior to breaking ground or commencement of any construction installation, repair and/or maintenance for each individual Project;</p> <p>(d) <u>Liquor Liability</u>: US\$10,000,000 (equivalent to RM45,715,000*) per occurrence to be in place prior to the date liquor is first served at each Project Venue, no later than the Grand Opening Date/1 January 2026 for each individual Project;</p> <p>(e) <u>Umbrella Excess Liability</u>: US\$48,000,000 (equivalent to RM219,432,000*) per occurrence and US\$48,000,000 (equivalent to RM219,432,000*) in annual aggregate to be in place as follows:</p> <p>(i) 1/3 of such amount prior to the start of Project development, no later than the date of signing of the License Agreement;</p> <p>(ii) 2/3 of such amount prior to breaking ground for the Project and commencement of any construction whatsoever for the Project; and</p> <p>(iii) The entire amount not later than the Grand Opening Date/1 January 2026 for the Project.</p> <p>(f) <u>Professional Liability – Errors and Omissions</u>: US\$25,000,000 (equivalent to RM114,287,500*) per occurrence and US\$25,000,000 (equivalent to RM114,287,500*) in annual aggregate to be in place prior to the development, design, redesign, installation, material rebuild, repair and/or replacement of each individual Project;</p> <p>(g) <u>Media Errors and Omissions insurance</u>: US\$10,000,000 (equivalent to RM45,715,000*) per occurrence and US\$10,000,000 (equivalent to RM45,715,000*) in annual aggregate to be in place prior to the</p>	<p>(b) <u>Employer's Liability</u> which covers compensation for bodily injury and illness to employees;</p> <p>(c) <u>Commercial Automobile Liability</u> which covers for automobiles used for business purposes;</p> <p>(d) <u>Liquor Liability Insurance</u> which helps cover claims of bodily injury or property damage that an intoxicated customer causes;</p> <p>(e) <u>Umbrella Excess Liability</u> which helps to pay for damages that exceed the liability limits of existing insurance;</p> <p>(f) <u>Professional Liability</u> which helps cover mistakes and omissions in the professional services given to the customer and client. It covers claims from negligence, misrepresentation, inaccurate advice and personal injury;</p> <p>(g) <u>Media Errors and Omissions Insurance</u> protects against allegations which the advertisement, event or content harmed someone financially or caused emotional distress; and</p> <p>(h) <u>Cyber Liability Insurance</u> protects Meridian from privacy, security, operational and service risks due to cyber exposure and malicious third parties or any event of a network cybersecurity failure.</p> <p>As for the total insurance premium to be paid per annum, it is reasonable that the same is unable to be quantified pending completion of the construction of the Hasbro Water Park.</p> <p>This term is reasonable as it serves to safeguard Meridian's assets and interests and mitigate the risk of lawsuits that could jeopardize the viability of the Hasbro Water Park.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>development, design, publishing and/or streaming of any content for each individual Project;</p> <p>(h) <u>Cyber Liability insurance</u>: US\$10,000,000 (equivalent to RM45,715,000*) per occurrence and US\$10,000,000 (equivalent to RM45,715,000*) in annual aggregate, to be in place from the conduct of the first online transactions, the collection of any personal information online, the publication of any website or social media page or online advertising for each individual Project.</p> <p>The total insurance premium to be paid per annum is unable to be quantified at this juncture as Meridian Group can only engage with the relevant insurer subsequent to the completion of the construction of the Hasbro Water Park.</p>	<p>This term is customary in transactions of similar nature and hence, we are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>
Appendix II, Section 11	<p><u>Special Conditions</u></p> <p><u>Right of First Refusal for Theme Park</u>: The Licensor agrees that it will not licence the Licensed Property, be it individually or collectively, in connection with a theme park (i.e. broad based theme parks, amusement parts or themed entertainment facilities, etc.) in Malaysia during the first 3 years of the Development Term i.e. 1 August 2022, without first offering the Licensees the option of acquiring a licence for a theme park (“Theme Park Licence”).</p> <p>In the event the Licensees are interested in acquiring a Theme Park Licence in Malaysia, the Licensees are required to provide a written notification of its intention to acquire a Theme Park Licence to the Licensor within 30 days from the Licensor's offer.</p>	<p>Right of first refusal, also known as the first right of refusal, is a contractual right to enter into a business transaction with a person or company before anyone else can. In the event an interested party approaches Hasbro Int to acquire a Theme Park Licence during the first 3 years of the Development Term of the License Agreement, Meridian and M101 are given the presiding offer to the Theme Park Licence. If Meridian and M101 decline to enter into an agreement to obtain the Theme Park Licence, Hasbro Int is then free to entertain other offers. This term limits what Hasbro Int could receive from interested parties competing for the Theme Park Licence. This term protects Meridian and M101 because it gives Meridian and M101 priority to acquire the Theme Park Licence.</p> <p>Additionally, if Meridian is interested to acquire Theme Park Licence in Malaysia, written notice is required to notify Hasbro Int within 30 days from the date of offer.</p> <p>This clause is in line with common practice and is a general commercial term.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
		We are of the view that this term is reasonable and not-detrimental to the non-interested Meridian Shareholders.
Appendix II, Section 12	<p><u>Approvals</u> The Licensor's written approval (in the Licensor's sole discretion) through the Licensor's Approval System ("LAS") is required for the following :-</p> <ul style="list-style-type: none"> (a) All aspects, elements, materials and items created in connection with the Project and/or the Licensed Property, prior to use by Licensees or disclosure to any third party; (b) Any sponsorship and/or tie-in rights (including the company name and sponsorship or tie in plans outlining material terms of such plan) in connection with the Project; (c) The use of the Licensor's name in any way; and (d) The featuring of any other brands or products in the Project; <p>The Licensees shall consult with Licensor on a reasonable and regular basis regarding its financing and capitalization plans and progress for the Project and shall provide the Licensor with copies of its intended financing and capitalization plans relating to the Project as well as any material changes thereto.</p> <p>If Licensees fail to comply with this section, then Licensor may elect, at its sole discretion and without limitation on any other rights and remedies of Licensor, to do one or more of the following:</p> <ul style="list-style-type: none"> (a) require Licensees to immediately suspend or discontinue operation of the applicable element or portion of the Project; (b) terminate the License Agreement; and/or (c) require that Licensees bring such non-complying element into compliance within thirty (30) days after receipt of written notice from 	<p>The LAS allows Hasbro Int to review and revise the items in connection with the Project and/or the Licensed Property prior to use or disclosure to third parties.</p> <p>This term serves to protect Hasbro Int and the Licensed Property. This serves as brand protection to prevent third parties from using its intellectual property without permission, as this may cause losses of revenue and, more importantly, destroys brand equity, reputation and trust.</p> <p>This clause is in line with common practice and is a general commercial term.</p> <p>We are of the view that this term is reasonable and not-detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	Licensor, failure of which shall entitle Licensor to terminate the License Agreement.	
Appendix II, Section 13	<p><u>Intellectual Property</u></p> <p>The following intellectual property shall, upon creation, be considered part of the Licensed Property and shall be in the Licensor's name and be owned exclusively by the Licensor:</p> <p>(a) All right, title and interest in and to the Licensed Property, Project, etc.;</p> <p>(b) Any component of the Project, including, without limitation, all copyrights, trademarks, service marks, registered designs, patents, rights in passing off, unfair competition rights, rights in designs, moral rights, rights in confidential information including know-how and trade secrets and other intellectual property rights, in each case whether registered or unregistered;</p> <p>(c) All performers' property right of whatever nature whether now known or in the future created in the Licensed Property.</p> <p>The Licensor is assigned with full title guarantee together with the goodwill attaching to that part of the business in which the trademarks are used.</p> <p>The Licensor will be the owner of any derivative works, adaptations, game variants, game play or its elements of the Licensed Property developed by or for Licensees and included in the Project.</p> <p>The Licensor claims no ownership in "Licensee IP", i.e. trademarks that Licensees demonstrably owned prior to the License Agreement and patented elements and propriety technology developed by or on behalf of Licensees.</p> <p>The Licensees shall ensure that all moral rights are waived and all intellectual property rights shall vest in Licensor and the work shall be created on a work for hire basis, if the Licensees commission or require a third-party to create any work in connection with the Project.</p>	<p>Brand protection is the process and set of actions that a right holder undertakes to prevent third parties from using its intellectual property without permission, as this may cause loss of revenue and, more importantly, destroys brand equity, reputation and trust. Brand protection seeks primarily to ensure that trademarks, patents, and copyrights are respected.</p> <p>This term accords the said brand protection to Hasbro Int in particular to its rights over, amongst others :</p> <p>(a) copyrights, trademarks, service marks, registered designs, patents, as well as to the operations of the Hasbro Water Park; and</p> <p>(b) any derivative works, adaptations, game variants, game play or its elements of the Licensed Property developed for the Project.</p> <p>Additionally, this term states that Hasbro Int does not have any right or ownership over trademarks owned by Meridian and M101 prior to the License Agreement and patented elements and propriety technology developed by Meridian and M101.</p> <p>In the event of a breach with respect to the use of the Licensed Property, which results in irreparable damage to Hasbro Int, Hasbro Int is entitled to equitable remedies, costs and attorney's fees.</p> <p>This term states that Meridian and M101 shall not hold Hasbro Int accountable for any failure to promote or advertise the Licensed Property during or after the Term (such matters being entirely within Hasbro Int's discretion).</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>The Licensees shall assist the Licensor in the procurement of any protection or to protect the Licensor's rights to the Licensed Property.</p> <p>The Licensed Property and all rights therein, including goodwill pertaining thereto, belong exclusively to Licensor (or its licensors), and the Licensed Property has a secondary meaning in the mind of the public i.e. the brand name "Hasbro".</p> <p>A breach by Licensees of any of its covenants, agreements or undertakings with respect to use of the Licensed Property, legal marking requirements, quality standards or ethical standards will cause Licensor irreparable damage, which cannot be readily remedied in damages in an action at law, and may, in addition thereto, constitute an infringement of Licensor's intellectual property rights in the Licensed Property, entitling Licensor to equitable remedies, costs and reasonable attorney's fees.</p> <p>Notwithstanding anything herein to the contrary, Licensees hereby waive, and forever release Licensor from, any and all claims, actions and suits alleging that Licensor may have failed to adequately promote, advertise or otherwise use or exploit the Licensed Property during or after the Term (such matters being entirely within Licensor's discretion), and Licensor shall be under no obligation to exploit the Licensed Property at any time.</p>	<p>Such terms are common in similar transactions involving the right to use marks and trademarks of Hasbro Int between Meridian and M101.</p> <p>We are of the view that these terms are reasonable and not-detrimental to the non-interested Meridian Shareholders.</p>
Appendix II, Section 14	<p><u>Indemnification</u></p> <p><u>Licensees' Indemnification:</u> The Licensees agree to defend, indemnify, and hold harmless Licensor against all claims, judgments, actions, debts or rights of action, suits, loss and damage arising out of or in connection with:</p> <ul style="list-style-type: none"> (a) the Project and/or the Project Venue; (b) the Licensees' use of the Licensed Property; (c) any strict liability, any actual or alleged defects in the Project; 	<p>This term serves to safeguard and indemnify the respective parties in the following manner :</p> <ul style="list-style-type: none"> (a) Hasbro Int from and against all claims, judgments, actions, debts or rights of action, suits, loss and damage in respect of the License Agreement; and (b) Meridian and M101 from and against any claims, suits, action, loss and damage arising out of any claims of actual or alleged copyright infringement based on the Licensed Property.

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>(d) any legal actions taken as a result of the License Agreement;</p> <p>(e) any breach or alleged breach of the License Agreement by the Licensees; or</p> <p>(f) any alleged or actual act or omission of Licensees.</p> <p><u>Licensor's Indemnification</u>: The Licensor indemnifies and undertakes to defend the Licensees against, and to hold the Licensees harmless from any claims, suits, action, loss and damage arising out of any claims of actual or alleged copyright infringement based on the Licensed Property as supplied to Licensees by Licensor and used by Licensees pursuant to the License Agreement, provided that the Licensees:</p> <p>(a) have given the Licensor prompt written notice of any such claim, suit, action, loss and/or damage;</p> <p>(b) permit the Licensor to conduct and control the defence with the Licensor's choice of counsel;</p> <p>(c) make no admission of liability, agreement or compromise without the Licensor's prior written consent; and</p> <p>(d) provide the Licensor with full cooperation with respect to such claims, suits, action, etc.</p> <p>Unless stipulated expressly in the "Licensor's Indemnification" under this section, the Licensor will not provide warranty to or indemnify the Licensee for loss arising from any claim of infringement of third-party trademark rights arising out of the use of the Licensed Property regarding the Project, other than rights acquired from Licensor. No warranty is given in relation to the registration of the trademarks' applications. The Licensee is responsible to carry out appropriate investigations to establish that the Project and other material of the Licensed Property do not infringe any third-party trademark rights.</p>	<p>We are of the view that this term is reasonable and not-detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
Appendix II, Section 15	<p><u>Termination</u></p> <p>The Licensor may terminate the License Agreement under the following circumstances, without prejudice to any rights the Licensor may otherwise have against the Licensees:-</p> <ul style="list-style-type: none"> (a) If the Licensees are unable to meet any date of the Development Schedule as set forth in the License Agreement by giving written notice of termination to Licensees; (b) If the Licensees become insolvent, or if any insolvency proceedings are instituted by or against it under any law which are not discharged within a period of 10 days, upon 10 days' notice in writing to Licensees; (c) If the Licensees violate any of its obligations under the terms of the License Agreement relating to the payment of any royalty or any other fee or payment, upon 5 days' notice in writing for non-payment to the Licensees; or (d) Upon the happening of inter alia, the following events:- <ul style="list-style-type: none"> (i) change of ownership or control of Licensees which adversely affects Licensees' exercise of rights granted to the Licensees under the License Agreement; (ii) appointment of a third-party manufacturer, vendor, sub-contractor or sub-licensee without Licensor's prior written approval; or (iii) infringement of the trademarks, copyrights, patents or other property rights belonging to the Licensor or any of its affiliates by the Licensees or any of its affiliated companies. 	<p>This term spells out the basis on which an event or outcome can be considered grounds for termination by Hasbro Int. As Hasbro Int grants the right to utilise the Licensed Property to Meridian and M101, the termination clause is a common and acceptable term which serves to protect the interests of Hasbro Int in the event there is any material breach of any of the obligations of Meridian and M101 under the License Agreement.</p> <p>This term also stipulates the consequences in the event that the License Agreement is terminated by Hasbro Int. This term is common in transactions of such nature.</p> <p>In the event of the termination of the License Agreement, save for the Royalties and Sponsorship Fees, any other fees or payments as set forth in the License Agreement shall become immediately due and payable by Hasbro Int to Meridian and M101.</p> <p>We note that the Royalties and Sponsorship Fees are non-refundable and non-recoupable. We note that this term is mutually agreed between the parties and are deemed reasonable for transactions of similar nature.</p> <p>We are of the view that this term is reasonable and not-detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the License Agreement	SCA's comments
	<p>The Licensees' material breach of the terms of any other agreements (whether present or future) with Licensor or its affiliates shall be deemed a material breach of the License Agreement.</p> <p>Termination shall be without prejudice to any rights Licensor may otherwise have against Licensees, including, without limitation, the right to recover any payments due hereunder or damages. Upon the termination of the License Agreement, notwithstanding anything to the contrary herein, all Royalties, all outstanding Minimum Guaranteed Royalty payments, Development Fee (if any), Sponsorship Fees (if any) and any other fees or payments as set forth in the License Agreement shall become immediately due and payable. For the avoidance of doubt, no Minimum Guaranteed Royalty payment, Development Fee (if any), Sponsorship Fees (if any) and any other fees or payments as set forth in the License Agreement will be repayable.</p> <p>All rights granted to the Licensees will forthwith revert to Licensor upon and after the termination of the License Agreement. The Licensees will refrain from use of the Licensed Property or any reference to it and cease to hold itself out as licensees of the Licensed Property.</p>	
Appendix II, Section 16	<p><u>Governing Law</u></p> <p>The License Agreement is governed by the internal laws of the State of Rhode Island without regard to its conflict of law principles. The parties submit to the exclusive jurisdiction of the courts of State of Rhode Island, including the United States District Court for the District of Rhode Island.</p>	<p>This term is reasonable as Hasbro Int is a subsidiary of Hasbro, which is listed on NASDAQ stock exchange (United States). The parties shall therefore be governed under the laws and regulations of the State of Rhode Island.</p> <p>We are of the view that this term is reasonable and not-detrimental to the non-interested Meridian Shareholders.</p>

Based on our evaluation of the salient terms and conditions above, we are of the opinion that the terms of the License Agreement are **reasonable and not detrimental** to the non-interested Meridian Shareholders.

** Based on RM/USD exchange rate of 4.5715 as at LPD (source: Bank Negara Malaysia website)*

5.3. Salient Terms of the Collaboration Agreement

The salient terms of the Collaboration Agreement are set out in Appendix III of the Circular.

SCA's comments

Our comments on the salient terms of the Collaboration Agreement are as follows :

Reference in the Circular	Salient terms of the Collaboration Agreement	SCA's comments
Appendix III, Section 1	<p><u>Conditions Precedent</u></p> <p>The collaboration between Meridian and M101 shall be conditional upon the fulfilment of the following conditions precedent on or before the Long Stop Date i.e. 27 January 2023:</p> <ul style="list-style-type: none"> (a) Meridian's shareholders' approval of the proposed collaboration between Meridian and M101 at an EGM to be convened; (b) M101's shareholder and board of directors' approval of the Proposed Collaboration and of the inclusion of Meridian as an additional licensee to Contract No. 130673; and (c) any other necessary approvals of any authorities. <p>Either party (Meridian or M101) shall be entitled to terminate the Collaboration Agreement on rejection or non-fulfilment of the above-mentioned condition precedents by the Long Stop Date, by giving written notice of termination to the other party and none of the parties (Meridian or M101) shall have any claim against other party thereto.</p>	<p>The Conditions Precedent are reasonable as the terms herein are applicable for approvals required from the relevant parties to give effect to the implementation of the Proposed Collaboration. We take note that Meridian and M101 had on 28 October 2022 via an exchange of letter, agreed for an extension of time of 90 days to 27 January 2023, for the fulfilment of the conditions precedent. We understand that Meridian will monitor the timeline closely and will negotiate with M101 for further extension of time, if required.</p> <p>We also take note that Dato' Seth, being the Chief Executive Officer of Meridian and a Director and major shareholder of M101, had principally agreed to provide support to Meridian and will provide further extension of time for the fulfilment of conditions precedent should the delay be beyond the control of the Group.</p> <p>If the conditions precedent are rejected or not fulfilled by 27 January 2023, either party is entitled to terminate the Collaboration Agreement and this term sets out the manner of termination of the Collaboration Agreement and upon termination, none of the parties shall have any claim against other party.</p> <p>We are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>
Appendix III, Section 2	<p><u>Term</u></p> <p>The Collaboration Agreement shall be effective on the date of the Collaboration Agreement and shall remain effective until the expiration or</p>	<p>This is a common term as it states when the Collaboration Agreement becomes a legally enforceable contract and that the Collaboration Agreement will cease to be effective upon expiry or early determination of the License Agreement (as the Collaboration Agreement is to facilitate the License Agreement).</p>

Reference in the Circular	Salient terms of the Collaboration Agreement	SCA's comments
	early determination of the License Agreement, whichever occurs first, unless or until the early termination of the Collaboration Agreement.	We are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.
Appendix III, Section 3	<p><u>Obligations of Meridian</u></p> <p>Meridian shall be solely responsible:</p> <ul style="list-style-type: none"> (a) in performing all the obligations imposed on both Meridian and M101 under the License Agreement (“Meridian’s Obligations”); (b) to comply with all the terms and conditions of the License Agreement; (c) for all operation matters of the Project (including constructions and upon completion of constructions on operation of the water park) and Meridian has the sole discretion on all matters in relation the Project; (d) for all fundings required in the performance of Meridian’s Obligations; (e) for all financial obligations to Hasbro Int as set out in Section 9 of Appendix II of this Circular; (f) to provide the land being Lot PT 1374, Lot 1826, Mukim Alor Gajah, Melaka, Malaysia as the venue of the Hasbro Water Park; (g) to pay all development costs of Hasbro Water Park in which the construction of the same shall commence on or before 1 September 2023; and (h) to ensure the grand opening of Hasbro Water Park shall be on no later than 1 January 2026 (“Grand Opening”), whereas the soft opening shall be no later than 90 days prior to the Grand Opening. 	<p>This term clearly sets out the obligations of Meridian under the Collaboration Agreement. In essence, Meridian shall be solely responsible for all financial, execution and implementation obligations imposed upon Meridian and M101 under the License Agreement.</p> <p>This term also clearly states that Meridian shall be responsible to provide land for Hasbro Water Park and pay all development costs thereof.</p> <p>In addition, this term sets out that the construction of Hasbro Water Park shall commence on 1 September 2023 whilst the Grand Opening shall be on no later than 1 January 2026 and the soft opening shall be no later than 90 days prior to the Grand Opening.</p> <p>As Meridian will be solely entitled to the revenue/profit generated from the License Agreement, we are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the Collaboration Agreement	SCA's comments
Appendix III, Section 4	<p><u>Obligations of M101</u></p> <p>M101 shall provide assistance in facilitating the communication between Meridian and Hasbro Int regarding the License Agreement. M101 is merely acting as a co-licensee which shall not be entitled to any revenue/profit generated from the License Agreement.</p> <p>M101 shall not, during the Term of the License Agreement and for a period of 1 year after the expiry or early determination of the License Agreement:</p> <ul style="list-style-type: none"> (a) interfere with, disrupt the relationship between Meridian and Hasbro Int; (b) deliberately breach the License Agreement; (c) be in direct competition with Meridian to develop and operate a water park in Malaysia other than as a holder of not more than 5% of the issued shares or debentures of any listed company. For information, 5% of the issued shares or debentures of any listed company was derived after taking into consideration the possibility of M101 to exercise significant influence via its substantial holdings of shares and debentures in the listed company; and (d) solicit and entice away any person, firm, company or organization who is a customer or client of Meridian, away from Meridian. 	<p>As Meridian shall be solely responsible for all financial, execution and implementation obligations under the License Agreement, this term protects Meridian's interests as it states that M101 is merely acting as a co-licensee and shall not be entitled to any revenue/profit generated from the License Agreement.</p> <p>In other words, all revenue/profit to be derived from the Hasbro Water Park shall accrue to Meridian.</p> <p>For the avoidance of doubt, M101 did not receive any consideration for the Collaboration Agreement and will not receive any entitlement in connection with the License Agreement nor any financial reward / fee and/or benefits in kind from Meridian and/or Hasbro Int for facilitating the communication between the parties nor any reimbursement of expenses incurred prior to the signing of the Collaboration Agreement. All profits to be derived from the Hasbro Water Park shall accrue to Meridian. M101 shall provide assistance in facilitating the communication between Meridian and Hasbro Int regarding the License Agreement. For information, prior to the Proposed Collaboration, M101 had incurred expenses amounting to RM0.3 million for payment of professional fees in relation to the Hasbro Water Park. For avoidance of doubt, Meridian is not required to reimburse M101 for the aforementioned expenses incurred.</p> <p>Additionally, M101 shall not, during the Term of the License Agreement and 1 year after the expiry of the License Agreement, be in direct competition with Meridian or solicit or engage in any arrangement with any third-party who is a customer or client of Meridian which may lead to any proposal for or in connection with the construction or operation of Hasbro Water Park.</p> <p>We are of the view that this term is reasonable and not detrimental to the non-interested Meridian Shareholders.</p>

Reference in the Circular	Salient terms of the Collaboration Agreement	SCA's comments
Appendix III, Section 5	<p><u>Termination</u></p> <p>Each Party (either Meridian or M101) may terminate the Collaboration Agreement with immediate effect by giving written notice to the other Party, if the other Party:</p> <ul style="list-style-type: none"> (a) commits any material breach of any term and condition of the Collaboration Agreement (which in the case of a breach capable of being remedied) have not been remedied within seven (7) days of a written request to remedy the same; (b) enters into liquidation or, among others, convenes a meeting of its creditors or makes a proposal for any scheme of arrangement for the benefit of its creditors; (c) is found, known or suspected to be involved in any fraudulent or unlawful activity; or (d) is guilty of any conduct which is prejudicial to the other Party's good name and/or interest. 	<p>In the event of default by either party, this term entitles the other party to terminate the Collaboration Agreement with immediate effect.</p> <p>This term safeguards the interests of the non-defaulting party in the event of a breach of material terms, conditions or covenants of the Collaboration Agreement by the defaulting party.</p> <p>We are of the view that this term is reasonable and not-detrimental to the non-interested Meridian Shareholders.</p>
Appendix III, Section 6	<p>Meridian shall indemnify M101 of all liabilities, fines, penalties and amounts actually and reasonably incurred by M101 if M101 was, is, or is threatened to be made, a party to or a participant (as a witness, deponent or otherwise) in any proceeding (in which M101 was, is, will or might be involved as a party, potential party, non-party witness or otherwise, by reason of the fact that M101 is a party of the License Agreement and shall not include any claims against M101 by Hasbro Int or any third party as a result of M101's breach occurring prior to the date of First Amendment to Contract No. 130673, i.e. 1 August 2022), unless such proceedings is caused or contributed by M101.</p> <p>M101 shall indemnify Meridian of all claims, liabilities and costs incurred by Meridian in the event Meridian suffers any damages as a result of:</p>	<p>This term serves to safeguard and indemnify the respective parties in the following manner :</p> <ul style="list-style-type: none"> (a) M101 from and against all liabilities, fines, penalties and amounts incurred by M101 in relation to proceeding in which M101 was, is, will or might be involved by reason of the fact that M101 is a party of the License Agreement; and (b) Meridian from and against all claims, liabilities and costs incurred by Meridian as a result of M101's negligence and/or breach under Clause 5 of the Collaboration Agreement and breach of Contract No. 130673.

Reference in the Circular	Salient terms of the Collaboration Agreement	SCA's comments
	<p>(a) M101's negligence in performing its obligations as per Clause 5.1 of the Collaboration Agreement (facilitation of communication between Meridian and Hasbro Int for all intent relating to the License Agreement); and/or</p> <p>(b) M101's breach as per:</p> <p>(i) Clause 5.2 of the Collaboration Agreement (acts to be refrained by M101 during the subsistence of the Collaboration Agreement and/or License Agreement and a period of one (1) year after the termination/expiry of the License Agreement); and/or</p> <p>(ii) Clause 5.3 of the Collaboration Agreement (M101's obligations to execute documents and provide cooperation to Meridian to give full effect to the Collaboration and License Agreement); and/or</p> <p>(c) any breach by M101 of Contract No. 130673 prior to the date of First Amendment to Contract No. 130673.</p>	<p>We are of the view that this term is reasonable and not-detrimental to the non-interested Meridian Shareholders.</p>

Based on our evaluation of the salient terms and conditions above, we are of the opinion that the terms of the Collaboration Agreement are **reasonable and not detrimental** to the non-interested Meridian Shareholders.

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5.4. Effects of the Proposed Collaboration

In evaluating the Proposed Collaboration, we have taken note of the effects of the Proposed Collaboration as set out in Section 11 of Part A of the Circular.

We note that the Proposed Collaboration will not have any effect on the issued share capital, and substantial shareholders' shareholding of Meridian.

The Proposed Collaboration is not expected to have any immediate material impact on the NA and gearing of the Group. However, the effects on the future NA and gearing of the Group will depend on the manner of funding for the Hasbro Water Park. The Proposed Collaboration is expected to contribute positively towards the NA of the Group as and when Malaysia Tourism City commence operations.

We take note that the Proposed Collaboration will not have any effect on the earnings of the Group for the FYE 30 June 2023. However, the Proposed Collaboration is expected to contribute positively towards the earnings and EPS of Meridian for future financial years when Hasbro Water Park is completed and commenced operations.

Premised on the above, the Proposed Collaboration is expected to result in positive financial effects to Meridian, mainly in terms of potential earnings contribution and enhancement to the NA. Thus, we are of the view that the financial effects of the Proposed Collaboration, in the long run, are expected to be **beneficial and not detrimental** to the interest of the non-interested Meridian Shareholders.

5.5. Risk Factors of the Proposed Collaboration

The present principal business activities of Meridian Group involve property development, construction, property investment, cultivation of oil palm and project management services.

As set out in the Rationale for the Proposed Collaboration in Section 5.1 in this IAL, the Proposed Collaboration will provide an opportunity for Meridian to design and build the Hasbro Water Park, incorporating features related to the Hasbro brand which is internationally renowned, to be developed and operated at the Malaysia Tourism City in Kuala Linggi, Melaka. Upon commencement of operation of the Hasbro Water Park (which is expected to be on or before January 2026), Meridian will be able to derive an additional recurrent income stream through ticket and merchandise sales. As part of this exercise, Meridian is exposed to the risk factors as highlighted in Section 10.1 of Part A of the Circular.

We noted and concur with the risk factors of the Proposed Collaboration as set out in Section 10.1 of Part A of the Circular. We also wish to draw the attention of the non-interested Meridian Shareholders to the following additional risk factors that may arise from Proposed Collaboration.

5.5.1. Collaboration Risk

As the Hasbro Water Park heavily depends on the various Licensed Property as the main marketing tool, notwithstanding the termination clauses as stated in the Licence Agreement (Appendix II, Section 15 of the Circular) and the Collaboration Agreement (Appendix III, Section 5 of the Circular), Hasbro Int may terminate the License Agreement and result in termination of operations of the Hasbro Water Park. Additionally, there is no assurance that the anticipated benefits arising from the Proposed Collaboration will be realised or that Meridian's planned investments in Meridian's Malaysia Tourism City will be able to generate sufficient returns to Meridian.

5.5.2. Dependency on Hasbro Brand

Of all the assets under marketing control, brands are perhaps the most valued. A strong brand attracts new customers, retains existing customers and offers a platform for the introduction of new products. As stated in Clause 13 of the License Agreement, the Hasbro Water Park heavily relies upon the Licensed Property to differentiate itself from similar theme parks and attract brand-loyal customers to the theme park, in the event that the License Agreement or Collaboration Agreement is rescinded or terminated, this may result in catastrophic loss in customer support and ultimately loss in revenue. Furthermore, there may be additional costs to remove all references to the Licensed Property in order for the water park to continue operations.

5.5.3. Loss of non-refundable and non-recoupable fees

In the unfortunate event that the License Agreement be rescinded or terminated, according to Clause 9 of the License Agreement, the following fees are non-refundable and non-recoupable :

- i. the Sponsorship Fees, the sum of which is to be derived from and calculated based on the Licensor-Generated Sponsorship and Licensee-Generated Sponsorship derived from the Hasbro Water Park; and
- ii. the Royalties, the sum of which is to be derived from and calculated based on the net revenues in connection with the Water Park and F&B areas.

Notwithstanding the above, we note that this term is mutually agreed between the parties and the Company will take reasonable steps to ensure successful implementation of the Proposed Collaboration.

5.5.4. Investment Risk

We noted that although the Proposed Collaboration is expected to increase the interest and profile of the Malaysia Tourism City and contribute positively to the future earnings of the Group as mentioned in Sections 8.1 and 11.3, Part A of the Circular, there is no guarantee that the expected benefits from the Proposed Collaboration will materialise or that the Group would be able to generate sufficient returns from the development and operations of the Hasbro Water Park to offset the associated cost of investment. We further noted that the Board has exercised due care in considering the potential risks and benefits associated with the Proposed Collaboration and the Board believes that the Proposed Collaboration will be value accretive and synergistic to the enlarged Group after taking into consideration, amongst others, the prospects of Hasbro Water Park and Malaysia Tourism City. We are of the view that investment risk is a common aspect of similar collaboration proposals or arrangements. We are also of the view that this risk is reasonably mitigated based on the based on the prospects of Hasbro Water Park and Malaysia Tourism City which are expected to contribute positively to the future earnings of the Group.

5.5.5. Foreign Exchange Risk

We noted that the the Financial Terms stated in the License Agreement are all quoted in US Dollar while the Group's receipts from the Hasbro Water Park will be in Ringgit Malaysia. A depreciation of the Ringgit Malaysia against the currency will result in increased commitment costs which will negatively impact the Group's financial and will have a material effect on the Group's net profits.

Notwithstanding this, we understand that the management of Meridian will assess the need to utilise financial instruments to hedge its foreign exchange exposure in US Dollar to mitigate the translation exchange risk exposure.

We are of the view that the risk factors associated with the Proposed Collaboration have been adequately considered by the Board and that the Proposed Collaboration is likely to yield benefits which would outweigh the indicated risks.

We wish to highlight that although efforts and measures will be taken by Meridian to mitigate the risks associated with the Proposed Collaboration, no assurances can be given that one or a combination of the risk factors as stated in Section 10.1 of Part A of the Circular will not occur and give rise to material and adverse impact on the business operations of Meridian, its financial performance, financial position or prospects thereon.

5.6. Industry Overview and Prospects

We take note of the industry overview and prospects as disclosed in Section 9 of Part A of the Circular. We also wish to draw the attention of the non-interested Meridian Shareholders to the following additional industry overview associated with the Proposed Collaboration, which were not mentioned in Section 9 of Part A of the Circular.

5.6.1. Overview and outlook of the global economy

Global growth continued to moderate in the third quarter of 2022. Inflationary pressures remained high amid elevated commodity prices and tight labour markets, despite improvements in global supply chain conditions. Consequently, central banks made further adjustments to monetary policy settings to reduce inflationary pressures. High inflation and energy prices weighed on economic activity. Manufacturing and services activities slowed further, particularly in advanced economies. However, these factors were partly offset by positive COVID-related developments in Asia. China and Chinese Taipei gradually recovered from disruptions due to COVID experienced in the previous quarter. In addition, growth in several ASEAN economies was lifted by base effects from lockdowns imposed in the same period last year.

(Source: Quarterly Bulletin for Third Quarter of 2022, Bank Negara Malaysia)

5.6.2. Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021, the high growth was underpinned by continued expansion in domestic demand. On a quarter-to-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

All economic sectors expanded in the third quarter of 2022. The services sector strengthened further by 16.7% (2Q 2022: 12.0%), primarily supported by consumer-related subsectors. Better labour market conditions and the continued recovery in tourism provided strong impetus to retail and leisure-related activities. Policy measures such as the increase in minimum wage further supported domestic spending. During the quarter, domestic demand expanded by 13.1% (2Q 2022: 13.0%), driven by firm private sector expenditure. Private consumption growth remained robust at 15.1% (2Q 2022: 18.3%). This was attributed to the continued recovery in labour market conditions with higher employment and income growth. The strong performance was driven by spending across both necessities and discretionary items. Policy support, including the increase in minimum wage and Bantuan Keluarga Malaysia also spurred consumer spending. Public consumption expanded at a faster pace of 4.5% (2Q 2022: 2.6%), attributable to higher growth in spending on supplies and services. Core inflation rose to 3.7% (2Q 2022: 2.5%) attributable to continued strengthening in demand in high-cost environment. The increase was predominantly driven by food away from home (3Q 2022: 8.2%; 2Q 2022: 5.3%) and higher rental inflation (3Q 2022: 1.4%; 2Q 2022: 0.9%). Prices for other discretionary services, such as cultural services and restaurants and hotel, also rose.

(Source: Quarterly Bulletin for Third Quarter of 2022, Bank Negara Malaysia)

The reopening of the global economy and the improvement in labour market conditions continue to support the recovery of economic activity. However, these have been partly offset by the impact from rising cost pressures, the military conflict in Ukraine and strict containment measures in China. Inflationary pressures have continued to increase mainly due to elevated commodity prices and strong demand conditions, despite some easing in global supply chain conditions. Consequently, central banks are expected to continue adjusting their monetary policy settings, some at a faster pace, to reduce inflationary pressures. Going forward, the pace of global growth is expected to moderate, and will continue to be affected by the elevated cost pressures, conflict in Ukraine, global supply chain conditions, and financial market volatility.

For the Malaysian economy, economic activity continued to strengthen in recent months. Exports and retail spending indicators affirm the positive growth momentum, supported by the transition to endemicity. In the labour market, the unemployment rate declined further, with higher labour participation and improving income prospects. Looking ahead, while external demand is expected to moderate, weighed by headwinds to global growth, economic growth will be supported by firm domestic demand. Additionally, the reopening of international borders since 1 April 2022 would facilitate the recovery in tourism-related sectors. Investment activity and prospects continue to be supported by the realisation of multi-year projects. However, downside risks to growth continue to stem from a weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

Year-to-date, headline inflation has averaged 2.4%. While it is projected to remain within the 2.2% - 3.2% forecast range for the year, headline inflation may be higher in some months due mainly to the base effect from electricity prices. Underlying inflation, as measured by core inflation, is expected to average between 2.0% - 3.0% in 2022 as demand continues to improve amid the high-cost environment. Nevertheless, the extent of upward pressures on inflation will remain partly contained by existing price controls, fuel subsidies and the continued spare capacity in the economy. The inflation outlook continues to be subject to global commodity price developments, arising mainly from the ongoing military conflict in Ukraine and prolonged supply-related disruptions, as well as domestic policy measures.

(Source: Monetary Policy Statement, Bank Negara Malaysia, 6 July 2022)

5.6.3. Overview and outlook of Melaka economy

Melaka, is a world-renowned heritage city. Historically, its strategic position make it a hub for economic, cultural, political and Islamic civilisation in the Asian region since 1500's. It was one of the cities on the maritime silk route trade passage that connecting East Asia to Southern Europe. UNESCO inscribed Melaka as the World Heritage Site in 2008 for its tangible and intangible multicultural heritage originating from the Malay Sultanate, Portuguese, Dutch, Chinese, Indians and Arabs. The transformation from a rural landscape to the urban fabrics have fuelled the state-wide economic growth through manufacturing and services. In 2017, its GDP growth rate was recorded at a high of 8.3%, compared to the national rate of 5.8% however contracted at a negative 5.9% influence by COVID-19 impact on the services, manufacturing and agriculture sectors. Despite this challenge, Melaka's unemployment rate in 2020 was the second-lowest after Putrajaya, which was 2.2% compared to the national rate of 4.5%.

Administratively, the state government body comprises (1) state agencies, (2) local authorities and (3) statutory bodies with the Chief Minister being the head of government covering an administrative area of 1,720 km². As a Developed State and the subsequent declaration of "Melaka Maju 2010", a strong responsive policy making and strategies formulation has taken place since then to foster innovation in business ecosystem, facilitates knowledge exchange in the society and improve administrative efficiency responding to the Industrial Revolution 4.0 and Sustainable Development Goals especially in post COVID-19 era.

The population of Melaka in 2035 is expected to rise to 1.54 million people with a density estimated at 9.2 person/hectares and the state's economic growth will continue to rise with its Gross Domestic Product (GDP) per capita projected to reach RM89,930. Melaka aims to adopt a smart city concept to improve municipal management and strengthen the governance of its public services.

The rapid growth in population has fuelled a demand for new urban development, improved infrastructure and better services and facilities, Melaka has now reached 86.5% rate of urbanisation. The Melaka state is strategically located between Kuala Lumpur and Singapore, the two commercial and financial centres and with proper positioning the state has the potential to attract high quality investments, businesses and talents. The uniqueness and historical value of Melaka will continue to attract tourists. It is located between Phuket in Thailand and Bali in Indonesia which are two popular holiday destinations. Melaka can be the niche port of call for cruise liner servicing these destinations. The tourist arrivals in Melaka once hit 18.72 million in 2019 and recorded at 2.67 million in 2021.

(Source: Smart Melaka Blueprint 2035 (SMB2035), Unit Perancang Ekonomi (Jabatan Ketua Menteri Melaka) in collaboration with Malaysian Industry-Government Group for High Technology)

SCA's comments

We note that for the Malaysian economy, economic activity continued to strengthen in year 2022 whilst exports and retail spending indicators affirm the positive growth momentum, supported by the transition to endemicity. We also note that the normalisation of economic activities and high growth was underpinned by continued expansion in domestic demand.

As for the Melaka economy, we note that due to Melaka City's designation as a World Heritage Site by the United Nations Educational, Scientific and Cultural Organisation ("UNESCO") and the Malaysia, Truly Asia Global Campaign, the tourism industry of Melaka is expected to continue contributing to this sector in the future.

As regards the Malaysia hospitality, tourism and leisure industry, we note that the performance of domestic tourism in Melaka is expected to improve as Malaysia transition towards the endemic phase of COVID-19 together with the re-opening of the international borders.

We note that for the amusement and theme park industry in Malaysia, the Malaysia government had on 1 July 2021 allowed the reopening of amusement and theme parks albeit under standard operating procedures, which helps to promote domestic tourism. Hotels and theme parks have also rolled out marketing campaigns such as attractive packages and promotions to attract customers to patronise their activities and services. With the transition to endemic phase of COVID-19 and the re-opening of international borders, tourism, in general, is expected to see a spike due to pent-up demand whilst the amusement and theme park industry is expected to rebound strongly with the resurgence of tourists' arrivals and domestic tourism.

We note that once the Group observes the returns from the Hasbro Water Park of the Kuala Linggi Land and should Malaysia Tourism City be able to attract sufficient traffic volume, the Group will then consider Phase 2 which comprises, amongst others, an eco-tourism park, a hotel and 366 units of vacation bungalows and Phase 3 which comprises, amongst others, a moto-tourism park, shopping mall and Phase 2 of the Hasbro Water Park. The Group's prospects for the Kuala Linggi Land and Malaysia Tourism City would improve Meridian's future financial performance.

We also concur with the views of the Board (save for Dato' Seth) and the management of Meridian in the future plans of its optimism in the long-term prospects of the Malaysia Tourism City. Hence, we are of the view that the Proposed Collaboration is **reasonable** and **not detrimental** to the non-interested Meridian Shareholders.

Notwithstanding the above, we wish to highlight that all businesses are subject to uncertainties that are not within the control of the Company which includes, amongst others, changes in Government policies, changes in interest rates, changes in the global economic conditions and changes in the amusement and theme park industry.

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6. CONCLUSION AND RECOMMENDATION

The non-interested Meridian Shareholders should take into account all the merits and risks of the Proposed Collaboration based on all relevant and pertinent factors including those which are set out in Part A of the Circular, this IAL and the other publicly available information before arriving at a decision on the voting option of the resolution to give effect to the Proposed Collaboration at the forthcoming EGM of Meridian.

We have assessed and evaluated the Proposed Collaboration and have set out our evaluation after taking into consideration the various factors as highlighted in Section 5 of this IAL. In arriving at our conclusion and recommendation, we have considered and summarised the following pertinent factors, which you should consider when forming your views on the Proposed Collaboration.

A summary of our evaluations are as follows :

Section in this IAL	Area of evaluation	SCA's comments
5.1	Rationale for the Proposed Collaboration	<p>We are of the view that the rationale for the Proposed Collaboration is reasonable and not detrimental to the non-interested Meridian Shareholders due to the following :</p> <ul style="list-style-type: none"> (a) the Meridian Group has been incurring LAT since FY2021 due to recent global market uncertainties and weak market sentiments in the property industry; (b) the Hasbro Water Park is expected to significantly increase the interest and profile of the Malaysia Tourism City; and (c) Meridian Group is cognisant that the operating landscape for the property development industry will continue to remain challenging, therefore the Proposed Collaboration is a strategic move by Meridian to derive additional recurring income stream, expand Meridian's earning base, with a long-term view of improving the overall financial performance of Meridian.
5.2	Salient terms of the License Agreement	<p>The abridged salient terms of the License Agreement are as follows :</p> <ul style="list-style-type: none"> (i) Exclusivity <p>This term states that Hasbro Int grants Meridian and M101 exclusive rights to utilise the Licensed Property.</p> (ii) Financial Terms <p>This term outlines the payment obligations of Meridian and M101 to Hasbro Int.</p> <p>Pursuant to the Collaboration Agreement dated 1 August 2022 between Meridian and M101, Meridian will assume all obligations (including financial obligations) and development costs as set out in the License Agreement and will be required to provide a land as the venue for the Hasbro Water Park.</p> <p>M101 is merely acting as a co-licensee and shall not be entitled to any revenue/profit generated from the License Agreement. All profits to be derived from the Hasbro Water Park shall accrue to Meridian.</p>

Section in this IAL	Area of evaluation	SCA's comments
		We are of the opinion that the terms of the License Agreement are reasonable and not detrimental to the non-interested Meridian Shareholders.
5.3	Salient terms of the Collaboration Agreement	<p>The abridged salient terms of the Collaboration Agreement are as follows :</p> <p>(i) Obligations of Meridian</p> <p>Meridian shall be solely responsible for all financial, execution and implementation obligations imposed upon Meridian and M101 under the License Agreement. This term also clearly states that Meridian shall be responsible to provide land for Hasbro Water Park and pay all development costs thereof.</p> <p>(ii) Obligations of M101</p> <p>M101 is merely acting as a co-licensee and shall not be entitled to any revenue/profit generated from the License Agreement. In other words, all revenue/profit to be derived from the Hasbro Water Park shall accrue to Meridian.</p> <p>We are of the opinion that the terms of the Collaboration Agreement are reasonable and not detrimental to the non-interested Meridian Shareholders.</p>
5.4	Effects of the Proposed Collaboration	We are of the view that the financial effects of the Proposed Collaboration, taking into account the potential earnings contribution and enhancement to the NA, are expected to be beneficial and not detrimental to the interest of the non-interested Meridian Shareholders.
5.5	Risk factors of the Proposed Collaboration	<p>In considering the Proposed Collaboration, the non-interested Meridian Shareholders are advised to give due and careful regard to the risk factors as mentioned in Section 10.1 of Part A of the Circular.</p> <p>We are of the view that the risk factors associated with the Proposed Collaboration have been adequately considered by Meridian and that the Proposed Collaboration is likely to yield benefits which would outweigh the indicated risks.</p> <p>We wish to highlight that although efforts and measures will be taken by Meridian to mitigate the risks associated with the Proposed Collaboration, no assurances can be given that one or a combination of the risk factors as disclosed in Section 10.1 of Part A of the Circular will not occur and give rise to material and adverse impact on the business operations of Meridian, its financial performance, financial position or prospects thereon.</p>
5.6	Industry Overview and Prospects	Taking into consideration the favourable outlook of the amusement and theme park industry as well as the future plans and prospects of Meridian Group as mentioned in Section 9 of Part A of the Circular, we are of the view that the Proposed Collaboration is reasonable and not detrimental to the interests of the non-interested Meridian Shareholders.

Based on our evaluations as set out in this IAL and summarised in the above section, we are of the opinion that the Proposed Collaboration is **fair and reasonable** insofar as you are concerned.

Therefore, in the absence of unforeseen circumstances, the Proposed Collaboration is in the **best interest** of Meridian and **not detrimental** to the interests of the non-interested Meridian Shareholders.

Accordingly, we recommend that you should **vote in favour** of the resolution to give effect to the Proposed Collaboration to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
for and on behalf of
SIERAC CORPORATE ADVISERS SDN BHD

TEH SEW HONG
Executive Director

TAN HOOI WEN
Associate Director, Corporate Finance