THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

LFE CORPORATION BERHAD

Registration No. 200201011680 (579343-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

I. **PROPOSED PRIVATE PLACEMENT OF 240,405,370 NEW ORDINARY SHARES IN LFE CORPORATION BERHAD ("LFE") ("LFE SHARE(S)"), REPRESENTING APPROXIMATELY 30.0% OF THE TOTAL NUMBER OF ISSUED LFE SHARES ("PROPOSED PRIVATE PLACEMENT"); AND**

II. **PROPOSED ACQUISITION OF 367,500 ORDINARY SHARES IN COSMO PROPERTY MANAGEMENT SDN BHD ("CPMSB"), REPRESENTING THE REMAINING 49.0% EQUITY INTEREST IN CPMSB FROM RESOLUTE ACCOMPLISHMENT SDN BHD FOR A PURCHASE CONSIDERATION OF RM29,400,000 TO BE SATISFIED VIA A COMBINATION OF CASH AND THE ISSUANCE OF NEW LFE SHARES ("PROPOSED ACQUISITION")**

(COLLECTIVELY REFERRED AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF LFE IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A	*Independent Adviser for Part B*
UOBKayHian	MainStreet
UOB Kay Hian Securities (M) Sdn Bhd Registration No. 199001003423 (194990-K) (A Participating Organisation of Bursa Malaysia Securities Berhad)	**MainStreet Advisers Sdn Bhd** Registration No. 200701032292 (790320-P)

The notice of the Extraordinary General Meeting ("**EGM**") of LFE, which is scheduled to be conducted fully virtual from the Online Meeting Platform at https://bit.ly/3jwrvUk provided by Acclime Corporate Services Sdn Bhd on Wednesday, 26 April 2023 at 10.00 a.m., or at any adjournment thereof, together with the Form of Proxy is enclosed herewith.

A member entitled to participate and vote at the EGM is entitled to appoint a proxy/ proxies to participate and vote on his/ her behalf. The Form of Proxy must be deposited at the Registered Office of LFE at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur Malaysia not less than twenty-four (24) hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from participating and voting in person at the EGM if you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	: Tuesday, 25 April 2023 at 10.00 a.m.
Date and time of the EGM	: Wednesday, 26 April 2023 at 10.00 a.m.

This Circular is dated 12 April 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	Companies Act 2016
"Board"	:	Board of Directors of LFE
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"C&S"	:	Civil and structural
"Circular"	:	This circular dated 12 April 2023 in relation to the Proposals
"CPMSB"	:	Cosmo Property Management Sdn Bhd
"CPMSB Share(s)"	:	Ordinary share(s) in CPMSB
"Consideration Share(s)"	:	66,872,427 new LFE Shares to be issued pursuant to the Proposed Acquisition
"Director(s)"	:	Director(s) of LFE and shall have the meaning given in Section 2(1) of the Capital Markets And Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisition were agreed upon:- (i) a director of LFE, its subsidiaries or holding company; and (ii) a chief executive of LFE, its subsidiaries or holding company
"EGM"	:	Extraordinary General Meeting
"EPS"/ "(LPS)"	:	Earnings/ (loss) per share
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ ending, as the case may be
"GP"	:	Gross profit
"Initial Acquisition"	:	Initial acquisition of 51.0% equity interest in CPMSB from the Vendor which was completed on 27 May 2021
"Identified Investors"	:	Lakeview Holding Sdn Bhd, LSA Harmony Sdn Bhd, Quah Siang Huat, Ong Khye Siang and Tong Hock Sen, collectively
"LFE" or the "Company"	:	LFE Corporation Berhad
"LFE Group" or the "Group"	:	LFE and its subsidiaries, collectively
"LFE Share(s)" or "Share(s)"	:	Ordinary share(s) in LFE
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	4 April 2023, being the latest practicable date prior to the printing and despatch of this Circular

"LTD"	:	7 December 2022, being the last trading day prior to the date of the Subscription Agreements and SSA
"M&E"	:	Mechanical and electrical
"MainStreet" or the "Independent Adviser"	:	MainStreet Advisers Sdn Bhd
"NA"	:	Net assets
"PAT"/ "(LAT)"	:	Profit/ (loss) after taxation
"PBT"/ "(LBT)"	:	Profit/ (loss) before taxation
"PE"	:	Price-to-earnings
"Placement Share(s)"	:	240,405,370 new LFE Shares to be issued pursuant to the Proposed Private Placement
"Proposals"	:	Proposed Private Placement and Proposed Acquisition, collectively
"Proposed Acquisition"	:	Proposed acquisition of 367,500 Sale Shares, representing the remaining 49.0% equity interest in CPMSB from the Vendor at the Purchase Consideration
"Proposed Private Placement"	:	Proposed private placement of 240,405,370 Placement Shares representing approximately 30.0% of the total number of issued LFE Shares
"Purchase Consideration"	:	RM29,400,000, being the purchase consideration for the Proposed Acquistion to be satisfied via a combination of cash and the issuance of Consideration Shares
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RPT"	:	Related party transaction pursuant to Paragraph 10.08 of the Listing Requirements
"Sale Share(s)"	:	367,500 CPMSB Shares to be acquired by LFE from the Vendor pursuant to the Proposed Acquistion
"Subscription Agreements"	:	Conditional share subscription agreements dated 8 December 2022 entered into between LFE and the identified investors for the Proposed Private Placement, which was subsequently amended by the Supplemental Subscription Agreements
"SSA"	:	Conditional share sale agreement dated 8 December 2022 entered into between LFE and the Vendor for the Proposed Acquisition, which was subsequently amended by the Supplemental SSA
"Supplemental Subscription Agreements	:	Supplemental agreements dated 10 March 2023 entered into between LFE and the identified investors to amend the Subscription Agreements
"Supplemental SSA"	:	Supplemental agreement dated 10 March 2023 entered into between LFE and the Vendor to amend the SSA
"UOBKH" or the "Principal Adviser" or the "Placement Agent"	:	UOB Kay Hian Securities (M) Sdn Bhd

"Vendor"	:	Resolute Accomplishment Sdn Bhd
"VWAP"	:	Volume weighted average market price

All references to "**we**", "**us**", "**our**" and "**ourselves**" are made to LFE, and where the context requires, shall include our subsidiaries.

All references to "**you**" or "**your(s)**" in this Circular are made to our shareholders, who are entitled to participate and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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TABLE OF CONTENT

APPENDICES

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. Shareholders are advised to read the Circular in its entirety (Part A and Part B) for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals before voting at the EGM.

Key information	Description	Reference to Circular
Summary	**Proposed Private Placement** Proposed private placement of 240,405,370 Placement Shares at RM0.0864 each, representing approximately 30% of the total number of issued shares of the Company. The Placement Shares will be allocated to the Identified Investors in the following manner:-	Section 2

Identified Investors	No. of Placement Shares	%
Lakeview Holding Sdn Bhd	51,500,000	21.4
LSA Harmony Sdn Bhd	43,905,370	18.3
Quah Siang Huat	51,500,000	21.4
Ong Khye Siang	51,500,000	21.4
Tong Hock Sen	42,000,000	17.5
Total	**240,405,370**	**100.0**

Key information	Description	Reference to Circular
	Proposed Acquisition Proposed acquisition of 367,500 Sale Shares, representing the remaining 49% equity interest in CPMSB from the Vendor for the purchase consideration of RM29.40 million. The Purchase Consideration will be satisfied in the following manner:-	Section 3

	Timing	RM	%
Cash Consideration	On Completion Date	22,900,000	77.9
Consideration Shares	On Completion Date	6,500,000	22.1
Total		**29,400,000**	**100.0**

Key information	Description	Reference to Circular
Utilisation of proceeds	The Proposed Private Placement will raise gross proceeds of RM20.77 million mainly for the partial settlement of the Purchase Consideration	Section 2.7
Rationale and justifications	Despite LFE Group's loss making position for the FYE 31 December 2022, CPMSB contributed revenue and PAT of RM53.88 million and RM1.88 million respectively based on the Company's existing 51% equity interest in CPMSB. Upon completion of the Proposed Acquisition, CPMSB will become a wholly-owned subsidiary company of LFE and the Group may stand to recognise the entire PAT from CPMSB moving forward. The Purchase Consideration is to be satisfied via a combination of internally generated funds, proceeds from the Proposed Private Placement together with the issuance of Consideration Shares to the Vendor	Section 4
Risk factors	The Proposed Acquisition is subject to, amongst others, the fulfilment of the conditions precedent within the stipulated timeframe and there is no assurance that the anticipated benefits will be realised	Section 6

Key information	Description	Reference to Circular
Approvals required	The Proposals are subject to the following approvals being obtained:- i. Bursa Securities, which was obtained on 27 March 2023; ii. Shareholders of LFE at the EGM; and iii. Any other relevant authority and/ or party, if required	Section 9
Conditionality	The Proposed Private Placement and Proposed Acquisition are inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company	Section 9
Interested parties	Save for the the Vendor, by virtue of its interest in both LFE and CPMSB, none of the Directors, major shareholders, chief executive of the Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals	Section 10
Board's recommendation	The Board recommends that you **vote in favour** of the ordinary resolutions pertaining to the Proposals at the EGM	Section 12

PART A

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSALS

LFE CORPORATION BERHAD
Registration No. 200201011680 (579343-A)
(Incorporated in Malaysia)

Registered Office

Level 5, Tower 8, Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur
Malaysia

12 April 2023

Board of Directors

Liew Kiam Woon *(Managing Director)*
Kok Tong Yong *(Executive Director)*
Goh Chee Hoe *(Executive Director)*
Loo Thin Tuck *(Senior Independent Non-Executive Director)*
YM Tunku Azlan Bin Tunku Aziz *(Independent Non-Executive Director)*
Tng Ling Ling *(Independent Non-Executive Director)*
Lim Say Leong *(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/ Madam,

I. PROPOSED PRIVATE PLACEMENT; AND
II. PROPOSED ACQUISITION

---

1. INTRODUCTION

On 8 December 2022, UOBKH had, on behalf of the Board, announced that LFE proposed to undertake the following:-

i. proposed private placement of 240,405,370 Placement Shares representing approximately 30.0% of the total number of issued LFE Shares; and

ii. proposed acquisition of 367,500 Sale Shares, representing the remaining 49.0% equity interest in CPMSB from the Vendor for a purchase consideration of RM29,400,000 to be satisfied via a combination of cash and the issuance of Consideration Shares.

The Proposed Acquisition is deemed to be a RPT pursuant to Paragraph 10.08 of the Listing Requirements due to the common interest of the Vendor in both LFE and CPMSB. In this respect, we have appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders as to whether the Proposals are fair and reasonable so far as the non-interested shareholders are concerned, and whether the Proposals are to their detriment.

Subsequently on 10 March 2023, UOBKH had, on behalf of the Board, announced that the Company had on even date, entered into the Supplemental Subscription Agreements with the Identified Investors and the Supplemental SSA with the Vendor respectively to vary the terms of the Subscription Agreements and SSA respectively.

On 28 March 2023, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 27 March 2023, resolved to approve the following:-

i. listing of and quotation for 240,405,370 Placement Shares to be issued pursuant to the Proposed Private Placement; and

ii. listing of and quotation for 66,872,427 Consideration Shares to be issued pursuant to the Proposed Acquisition,

on the Main Market of Bursa Securities, subject to the terms and conditions as set out in **Section 9** of this Circular.

Further details of the Proposals are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

As at the LPD, the total issued share capital of LFE is RM107,712,235 comprising 801,351,235 LFE Shares. Therefore, the private placement of 240,405,370 new LFE Shares represents approximately 30% of the total number of issued shares of the Company as at the LPD. The Proposed Private Placement is undertaken to raise proceeds for the partial settlement of the Purchase Consideration.

2.2 Allocation to placees

The Company intends to allocate the Placement Shares to investors who qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007. Pursuant thereto, LFE had on 8 December 2022 entered into the Subscription Agreements with the following Identified Investors (which was subsequently amended by the Supplemental Subscription Agreements on 10 March 2023) for the subscription of an aggregate 240,405,370 Placement Shares at an issue price of RM0.0864 each:-

Identified Investors	No. of Placement Shares	%
Lakeview Holding Sdn Bhd	51,500,000	21.4
LSA Harmony Sdn Bhd	43,905,370	18.3
Quah Siang Huat	51,500,000	21.4
Ong Khye Siang	51,500,000	21.4
Tong Hock Sen	42,000,000	17.5
Total	**240,405,370**	**100.0**

The salient terms of the Subscription Agreements are set out in **Appendix I** of this Circular.

For the avoidance of doubt, none of the Identified Investors will hold 5% or more of the enlarged issued shares of the Company after completion of the Proposals. The resultant shareholdings of the Identified Investors in the Company are set out below:-

	As at the LPD		I After the Proposed Private Placement		II After I and the Proposed Acquisition	
Identified Investors	**No. of direct Shares**	**%**	**No. of direct Shares**	**%**	**No. of direct Shares**	**%**
Lakeview Holding Sdn Bhd	-	-	51,500,000	4.94	51,500,000	4.65
LSA Harmony Sdn Bhd	-	-	43,905,370	4.21	43,905,370	3.96
Quah Siang Huat	-	-	51,500,000	4.94	51,500,000	4.65
Ong Khye Siang	-	-	51,500,000	4.94	51,500,000	4.65
Tong Hock Sen	8,965,600	1.12	50,965,600	4.89	50,965,600	4.60

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2.3 Information on Identified Investors

i. **Lakeview Holding Sdn Bhd**, is a private limited company incorporated in Malaysia on 8 September 2020 and is principally an investment holding company. Set out below is the director cum shareholder as at the LPD:-

Name	Designation	No. of direct shares	%
Ahmad Kamal Bin S. Awab	Director/ Shareholder	100,000	100.0

ii. **LSA Harmony Sdn Bhd,** is a private limited company incorporated in Malaysia on 20 July 2020 and is principally involved in property development and the provision of property management and consultancy services. Set out below are the directors cum shareholders as at the LPD:-

Name	Designation	No. of direct shares	%
Chia Chin Koon	Director/ Shareholder	800	80.0
Tan Boon Ling	Director/ Shareholder	200	20.0

iii. **Quah Siang Huat,** a Malaysian aged 70, graduated from Federal Institute of Technology in 1972 with a diploma in Electric & Electronics Engineering. He started his career in Advanced Micro Devices, one of the pioneer semi-conductor company in Penang as a supervisor in which entails managing daily production, schedule and yield. He is currently working as a Manager in GSV Development Sdn Bhd for approximately 8 years.

iv. **Ong Khye Siang,** a Malaysian aged 42, graduated from Universiti Teknologi Malaysia in 2002 with a degree in Electrical Engineering. He started his career in Sony (M) Sdn Bhd as a design engineer. He is currently working as an Engineering Manager in Motorola Solutions Malaysia Sdn Bhd for approximately 18 years.

v. **Tong Hock Sen,** a Malaysian aged 55, is a lawyer with approximately 30 years experience in in corporate, commercial and conveyancing matters. He founded Messrs John Tong, Fahmi & KH Yeoh in 2007, where he is currently the Managing Partner. He is also the Honorary Legal Advisor to Master Builders Association of Malaysia, the Malaysia Quarries Association and the International Federation of Asian and Western Pacific Contractors' Association (IFAWPCA).

2.4 Basis and justifications of determining the issue price of the Placement Shares

The issue price of RM0.0864 per Placement Share under the Subscription Agreements was arrived at, between LFE and the Identified Investors, on a willing-buyer willing-seller basis, and after taking into consideration a discount of not more than 20% to the 5-day VWAP of LFE Shares up to and including LTD, of RM0.1080 per LFE Share.

It is the Board's intention to place out the Placement Shares at a discount of not more than 20% to the market price of LFE Shares, which is sufficient to entice the Identified Investors to fully subscribe for the Placement Shares to meet LFE Group's funding objective as set out in **Section 2.7** of this Circular.

The discount rate of 20% was mutually agreed between the parties after taking into account the following factors associated with investing in the Placement Shares:-

i. 2021 financial performance - based on latest audited financial statements for the FYE 31 December 2021, LFE Group was in a loss making position prior to the signing of the Subscription Agreements.

ii. predetermined issue price - LFE decided to fix the issue price of the Placement Shares upfront via the entry of separate Subscription Agreements with each Identified Investors to secure their respective commitment towards the Placement Shares at the predetermined issue price of RM0.0864 each.

    This is to ensure that the Company is able to secure the required financing in a timely manner as it is the Board's intention to receive the placement funds within 5 market days from the convening of the EGM. In fixing the issue price upfront, the return of the Identified Investors in subscribing for the Placement Shares is subject to future market volatility in LFE's share price.

Further, the Board had also taken into consideration the following historical market prices of LFE Shares up to and including the LTD:-

	Share price	**Discount**	
	RM	**RM**	**%**
Last transacted price as at the LTD	0.1050	0.0186	17.71
Up to and including the LTD			
5-day VWAP of LFE Shares	0.1080	0.0216	20.00
1-month VWAP of LFE Shares	0.1077	0.0213	19.78
3-month VWAP of LFE Shares	0.1049	0.0185	17.64
6-month VWAP of LFE Shares	0.1038	0.0174	16.76
12-month VWAP of LFE Shares	0.1138	0.0274	24.08

(Source: Bloomberg)

Based on the above, the issue price of RM0.0864 per Placement Share represents a discount ranging from approximately 16.76% to 24.08% to the 5-day, 1-month, 3-month, 6-month and 12-month VWAPs, and the last transacted market price of LFE Shares as at the LTD.

The Consideration Shares will be issued at 10% discount as opposed to the 20% discount applied on the Placement Shares. The Board opines that the lower discount rate applied to the Consideration Shares is justifiable in view that the Proposed Acqusition is purely a share swap arrangement between the Sale Shares from the Vendor in exchange for LFE Shares from the Purchaser.

On the other hand, the sole purpose of the Proposed Private Placement is to raise fresh funds from third party investors to meet the Group's funding objectives. As mentioned above, the 20% discount is deemed necessary to compensate the Identified Investors for bearing the risks associated with investing in the Placement Shares.

2.5 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with each other and with the existing LFE Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such distributions precedes the relevant date of allotment and issuance of the Placement Shares.

2.6 Listing and quotation for the Placement Shares

Approval for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities have been obtained via Bursa Securities' approval letter dated 27 March 2023.

2.7 Utilisation of proceeds

Based on the issue price of RM0.0864 per Placement Share, the Proposed Private Placement will raise gross proceeds of RM20.77 million. The proceeds are intended to be utilised by LFE Group in the following manner:-

Details of utilisation	Timeframe	RM'000
Partial settlement of Purchase Consideration[*1]	Upon completion of the Proposed Acquisition	20,451
Estimated expenses[*2]	Upon completion of the Proposals	320
Total		**20,771**

Notes:-

[*1] *Details of the Proposed Acquisition are set out in **Section 3** of this Circular.*

[*2] *The proceeds earmarked for estimated expenses will be utilised as set out below:-*

	RM'000
Professional fees	*205*
Regulatory fees	*52*
Other incidental expenses in relation to the Proposals	*63*
Total	***320***

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used as working capital of LFE Group.

2.8 Other fund raising exercises in the past 12 months

Save for the Proposed Private Placement, LFE has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

3. DETAILS OF THE PROPOSED ACQUISITION

On 8 December 2022, the Company entered into a SSA with the Vendor for the Proposed Acquisition (which was subsequently amended by the Supplemental SSA on 10 March 2023). The Purchase Consideration will be satisfied in the following manner:-

	RM	%
Cash Consideration		
Proceeds from Proposed Private Placement	20,451,024	69.6
Internally generated funds	2,448,976	8.3
Consideration Shares		
Issuance of 66,872,427 new LFE Shares at an issue price of RM0.0972 each	6,500,000	22.1
Total	**29,400,000**	**100.0**

Pursuant to the Proposed Acquisition, LFE will acquire 367,500 Sale Shares, representing the remaining 49% equity interest in CPMSB from the Vendor. As at the LPD, CPMSB is a 51%-owned subsidiary of LFE. Upon completion of the Proposed Acquisition, CPMSB will become a wholly-owned subsidiary company of LFE.

Subject to the terms and conditions of the SSA, the Sale Shares will be acquired free from all liens, charges and encumbrances and with full legal and beneficial title with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) and on the basis of the warranties provided by the Vendor under the SSA. The salient terms of the SSA are set out in **Appendix II** of this Circular.

3.1 Information on CPMSB

CPMSB was incorporated in Malaysia on 3 September 2010 as a private limited company under the Companies Act 1965 and is deemed registered under the Act and commenced its business since incorporation. CPMSB mainly specializes in the following:-

Business activity	Description	Scope of work
Provision of C&S works	Construction of real estate buildings (e.g. hotels, residential, high-rise buildings, mixed development)	Subcontractor - responsible for the entire spectrum of a construction project which include amongst others, procurement of raw materials, supply of equipment and provision of labour
Provision of M&E works	Installation of mechanical systems such as air conditioners, plumbing as well as electrical systems	Subcontractor - responsible for the design and solution of M&E works and installation of mechanical systems

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For shareholders' information, CPMSB is usually appointed as the subcontractor to undertake C&S and M&E works of a particular construction project. For information purposes, the revenue recorded by CPMSB for the latest audited FYE 31 December 2021 were derived from the following projects:-

Name of project/ Location	**Project owner**	**Description**	**Scope of work**	**Commencement date/ Completion date**	**Total contract value RM'000**
AraTre' Residences/ Ara Damansara, Selangor	Puncakdana Sdn Bhd	Completion of a 9 storey podium and a 20 storey service apartment	• Subcontractor for C&S works	June 2020/ September 2022	47,707
			• Architectural Work for tower		22,319
Total					**70,026**

The outstanding order book of CPMSB as at the LPD is set out as follows:-

Name of project/ Location	**Project owner**	**Description**	**Scope of work**	**Commencement date/ Completion date**	**Total contract value RM'000**	**Outstanding order book RM'000**
Myara Park/ Ara Damansara, Selangor	PD Ara Sdn Bhd	Completion of a 18 storey service apartment and a 11 storey SOHO	Main Contractor	December 2021/ December 2024	90,000	71,270
Taman Residensi Mesra (Phase 2)/ Gurun, Kedah	LFE Development Sdn Bhd	274 units of single storey house and 64 units of double storey house	Main Contractor	April 2022/ December 2023	30,218	18,558
Aman Laut (Phase 1)/ Kuala Kedah, Kedah	Property Builder (Kuala Kedah) Sdn Bhd	Mixed-residential project/ 456 units of service apartments and 87 units of shop offices	Subcontractor for C&S and M&E works	September 2020/ June 2023	88,836	78,125
Total					**209,054**	**167,953**

As illustrated above, CPMSB has a total of 3 on-going projects with a total estimated contract value of RM209.05 million and an estimated outstanding order book of RM167.95 million which provides earnings visibility for the next 12 months.

The management of CPMSB confirms that the past and current projects disclosed above are not related to the directors and/ or substantial shareholder of CPMSB and/ or persons connected to them, save for (i) Myara Park in which the Company's substantial shareholder, Ng Kok Kheng is also a director and shareholder of PD Ara Sdn Bhd and (ii) Taman Residensi Mesra (Phase 2) which is an intercompany transaction between two subsidiaries (i.e. CPMSB and LFE Development Sdn Bhd) of LFE.

As at the LPD, the issued share capital of CPMSB is RM750,000 comprising 750,000 CPMSB Shares. It does not have any convertible securities.

The details of the directors and shareholders of CPMSB and their respective direct shareholdings as at the LPD are as follows:-

Name	Designation	Country of incorporation/ Nationality	No. of CPMSB Shares	%
Kharrul Azmi bin Mat Nawi	Director	Malaysian	-	-
Goh Chee Hoe	Director	Malaysian	-	-
Liew Kiam Woon	Director	Malaysian	-	-
LFE	Shareholder	Malaysia	382,500	51.0
Vendor	Shareholder	Malaysia	367,500	49.0

As at the LPD, CPMSB does not have any subsidiary or associate company.

A summary of the financial information of CPMSB for the past 4 financial years up to the FYE 31 December 2022 is set out below:-

	<--------Audited FYE 31 December------->			Unaudited FYE 31 December
	2019	2020	2021	2022
	RM	RM Restated*1	RM	RM
Revenue	27,161,280	16,930,426	41,380,656	53,883,482
PAT	6,008,857	3,448,462	7,322,486	3,070,465
PAT margin (%)	21.91	20.37	17.70	5.70
Total equity/ NA	16,053,384	5,281,004	12,603,490	15,673,954
Total borrowings	4,791,477	3,710,322	338,025	227,650
Total issued shares (units)	750,000	750,000	750,000	750,000
Cash and cash equivalents	294,864	55,561	961,167	3,166,998
NA per share	21.40	7.04	16.80	20.90
Current ratio (times)	1.44	1.37	1.88	1.70
Gearing (times)	0.30	0.70	0.03	0.01

Note:-

*1 *Restated to reflect the transition from Malaysia Private Entities Reporting Standard ("**MPERS**") to Malaysian Financial Reporting Standards ("**MFRS**") starting from 1 January 2020.*

Based on the past 4 financial years up to the FYE 31 December 2022, CPMSB recorded revenue of RM27.16 million, RM16.93 million, RM41.38 million and RM53.88 million, respectively. During the same financial years under review, CPMSB recorded PAT of RM6.01 million, RM3.45 million, RM7.32 million and RM3.07 million, respectively.

Please refer to **Appendix IV** of this Circular for further details on CPMSB.

3.2 Basis and justification of arriving at the Purchase Consideration

The purchase consideration of RM29,400,000 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the following:-

i. the Proposed Acquisition represents a PE multiple of 8.20 times, derived based on the audited PAT of CPMSB of RM7.32 million for the FYE 31 December 2021, which yields a valuation of approximately RM60.00 million for 100% equity interest in CPMSB;

ii. CPMSB's historical financial performance based on its 3 most recent audited financial statements as at the signing of the SSA on 8 December 2022, wherein its revenue grown from RM27.16 million for the FYE 31 December 2019 to RM41.38 million for the FYE 31 December 2021, and the net profit recorded of RM7.32 million for the latest FYE 31 December 2021;

iii. CPMSB's outstanding order book of RM174.35 million as at 30 November 2022 being the outstanding amount prior to the signing of the SSA on 8 December 2022;

iv. the prospects of CPMSB and LFE Group as set out in **Section 5.3** of this Circular; and

v. the rationale and justification for the Proposed Acquisition as set out in **Section 4** of this Circular.

To further justify the Purchase Consideration, peer analysis has been carried out to benchmark the PE multiple implied by the Purchase Consideration against the PE multiple of comparable companies in similar industry and/ or business activities as CPMSB to substantiate the reasonableness of the Purchase Consideration.

The brief description on the earnings multiple method of valuation is set out below for shareholders' information purpose only:-

Valuation multiple	**General description**
PE	PE multiple is the measure of the market price of a company's shares relative to its annual net income of the company per share. The computation of PE multiple is as follows:- $\frac{\text{Price}_{\textit{market}}}{\text{EPS}}$

The earnings multiple method of valuation is considered the most appropriate method of valuation in ascribing the value of CPMSB premised on the grounds that CPMSB had been generating profits for the past 3 financial years up to the FYE 31 December 2021.

The comparable companies were selected mainly with reference to the substantial similarity of the business activities to CPMSB and are currently listed on the stock exchange in Malaysia with market capitalisation of below RM350 million. However, there are no public listed companies in Malaysia which is identical to CPMSB in respect of, amongst others, the principal activities in the provision of C&S and M&E works, the composition of business activities, scale of business operations and financial position. The recent transactions are also compiled from publicly available information on Bursa Securities' website and is not exhaustive. As such, it should be noted that this comparable valuation statistics is carried out on a best effort basis, purely to provide a benchmark valuation for the Purchase Consideration.

Generally, shares of private companies are not freely tradable as compared to public listed companies. In evaluating the reasonableness of the PE multiples, the Board had adjusted the multiples downward by an illiquid discount of 25% as depicted in the book titled 'Investment Valuation: Tools and Techniques for Determining the Value of Any Asset'. In his publication, Professor Aswath Damodaran had discussed on the rule of thumb approach to apply an illiquidity discount on private firm valuations, which often ranges from 20% to 30% *(Source: http://pages.stern.nyu.edu/~adamodar/pdfiles/country/illiquidity.pdf)*.

The valuation of CPMSB is calculated as follows:-

PE multiple

	RM
Purchase Consideration (assuming 100% equity value of CPMSB as implied by the Purchase Consideration)	60,000,000
Net profit of CPMSB for the FYE 31 December 2021	7,322,486
Total issued shares of CPMSB (units)	750,000
Purchase Consideration per CPMSB Share	80.00
EPS (Calculated based on the net profit of RM7.32 million per CPMSB Share)	9.76
PE (times)	**8.20**

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The valuation statistics of the comparable companies using PE multiple are set out below:-

Companies	Principal activities	Latest FYE	Last Price[*1] RM	Market Capitalisation[*1] RM'mil	PAT RM'mil	EPS sen	PE[*2] (times)	Adjusted PE[*3] (times)
Stella Holdings Berhad	Provision of C&S, M&E and project management in the construction industry	31.03.2022	0.975	65.33	3.38	5.05	19.31	14.48
Tuju Setia Berhad	Principally involved in provision of construction services, mainly on construction of building and civil works and providing construction management services	31.12.2021	0.220	69.70	8.28	2.85	7.72	5.79
Nestcon Berhad	Principally engaged in constructing buildings, civil engineering and infrastructure works	31.12.2021	0.475	311.99	12.21	2.16	21.99	16.49
							Low	5.79
							High	16.49
							Simple Average	12.25
							CPMSB	**8.20**

(Source: Bloomberg and the audited financial statements of the respective companies)

Notes:-

*1 *Being the closing price as at the LTD.*

The market capitalisation of the comparable companies was calculated based on the total number of issued shares multiply with the last price of the respective comparable companies as at the LTD.

*2 *PE is computed based on last price over EPS.*

*3 *The public listed companies in Malaysia have to comply with the public shareholding spread requirement of 25.0% and thus, the shares of the said public listed companies are more marketable and liquid (tradable on Bursa Securities). Given that the Proposed Acquisition involves an acquisition of a non-public listed company, there is limited avenue to determine the marketability and liquidity of CPMSB Shares and taking into consideration that the size of CPMSB is smaller to that of the comparable companies, we have adopted 25.0% as the discount factor to adopt for the PE of comparable companies. Nevertheless, the adjusted PE is purely an illustration for shareholders' information.*

Based on the table above, the implied PE multiple of CPMSB of 8.20 times is below the simple average adjusted PE multiple of 12.25 times and is within the range of adjusted PE multiples of the comparable companies from 5.79 times to 16.49 times. As such, the Board deemed the Purchase Consideration reasonable after taking into consideration the valuation statistics of the comparable companies, as well as the rationale for the Proposed Acquisition and prospects of LFE Group as set out in **Sections 4 and 5.3** of this Circular respectively.

3.3 Comparision between Initial Acquisition and Proposed Acquisition

The table below summarises the salient features of the Initial Acquisition and Proposed Acquisition:-

	Initial Acquisition	Proposed Acquisition
Purchase consideration	RM27.54 million for 51% equity interest in CPMSB	RM29.40 million for 49% equity interest in CPMSB
PE multiple	9.00 times	8.20 times
Basis for the purchase consideration	Total profit guarantee of RM12.00 million provided by the Vendor to LFE for 2 twelve-month financial years, which translates to a profit guarantee of RM6.00 million per financial year	Audited PAT of RM7.32 million for the FYE 31 December 2021, which yields a valuation of approximately RM60.00 million for 100% equity interest in CPMSB
Justification for the purchase consideration	i. historical financial performance based on the 3 most recent audited financial statements; ii. outstanding order book; iii. prospects of CPMSB and LFE Group; and iv. rationale and benefits of the Initial Acquisition	i. historical financial performance based on the 3 most recent audited financial statements; ii. outstanding order book; iii. prospects of CPMSB and LFE Group; and iv. rationale and benefits of the Proposed Acquisition

In arriving at the purchase consideration for the Initial Acquisition, the Board adopted the forward PE multiple of 9.00 times based on the profit guarantee provided by the Vendor; while the trailing PE multiple of 8.20 times for the Proposed Acquisition was derived based on the actual earnings of CPMSB in the past.

For the Proposed Acqusition, the Board opines that the lower PE multiple adopted is in favour of the Company in view that the remaining 49% equity interest is being acquired at a cheaper rate as compared to the initial acquisition of the 51% equity interest in CPMSB.

3.4 Basis and justification of arriving at the issue price of the Consideration Shares

The issue price of RM0.0972 per Consideration Share was determined by the Board on a willing-buyer willing-seller basis, after taking into consideration the prevailing market prices of LFE Shares for the past 12 months up to the LTD.

The issue price of RM0.0972 per Consideration Share represents discount to the following VWAPs:-

	Share price RM	Discount RM	%
Last transacted price as at the LTD	0.1050	0.0078	7.43
Up to and including the LTD			
5-day VWAP of LFE Shares	0.1080	0.0108	10.00
1-month VWAP of LFE Shares	0.1077	0.0105	9.75
3-month VWAP of LFE Shares	0.1049	0.0077	7.34
6-month VWAP of LFE Shares	0.1038	0.0066	6.36
12-month VWAP of LFE Shares	0.1138	0.0166	14.59

(Source: Bloomberg)

Based on the above, the issue price of the Consideration Shares represents a discount ranging from approximately 6.36% to 14.59% to the last transacted price of LFE Shares as at the LTD and the 5-day, 1-month, 3-month, 6-month and 12-month VWAPs.

The Purchase Consideration of RM29.40 million will be satisfied via a combination of the Cash Consideration and issuance of the Consideration Shares. The partial settlement via the Consideration Shares, despite the dilution of existing shareholders, will ease the strain on LFE Group's cash flow whilst the Cash Consideration will be financed via proceeds to be raised from the Proposed Private Placement and the Group's internally generated funds.

Premised on the above, the Board is of the view that the issue price of the Consideration Shares and the partial settlement of the Purchase Consideration via the issuance of the Consideration Shares are justifiable.

The Placement Shares will be issued at 20% discount as opposed to the 10% discount applied on the Consideration Shares. The Board opines that the higher discount rate is justifiable in view that the sole purpose of the Proposed Private Placement is to raise fresh funds from third party investors to meet the Group's funding objectives. As mentioned in **Section 2.4** of this Circular, the 20% discount is deemed necessary to compensate the Identified Investors for bearing the risks associated with investing in the Placement Shares. On the other hand, Proposed Acqusition is purely a share swap arrangement between the Sale Shares from the Vendor in exchange for LFE Shares from the Purchaser.

Despite the share dilution on existing shareholders, the Board still opines that the partial settlement of the Purchase Consideration via the proceed from the Proposed Private Placement and the issuance of Consideration Shares are in the best interest of the Company due to its continuous loss making position for the past financial years.

The Board intends to reduce reliance on conventional bank borrowings to meet LFE Group's funding objectives. This would enable the Group to maintain a low gearing ratio moving forward as a mean to improve operational efficiency and cash flow without the need to increase debt obligation and interest costs.

3.5 Ranking of Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the existing LFE Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotment and/ or other forms of distributions where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the date of allotment and issuance of the Consideration Shares.

3.6 Listing and quotation for the Consideration Shares

Approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities have been obtained via Bursa Securities' approval letter dated 27 March 2023.

3.7 Mode of Settlement of the Purchase Consideration

Pursuant to the terms of the SSA, the mode of settlement of the Purchase Consideration comprises Cash Consideration and Consideration Shares which shall be satisfied in the following manner:-

	Payment terms	Timing	RM	%
i.	Cash Consideration	Payable on a date within 30 business days after the date the last of the conditions precedent of the SSA ("**Conditions Precedent**") is satisfied or such other date as the parties to the SSA may agree in writing ("**Completion Date**")	22,900,000	77.9
ii.	Consideration Shares	On Completion Date	6,500,000	22.1
	Total		**29,400,000**	**100.0**

3.8 Source of funding

The Cash Consideration shall be financed by LFE via a combination of proceeds to be raised from the Proposed Private Placement and internally generated funds.

3.9 Liabilities to be assumed by LFE

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SSA for the Proposed Acquisition, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by LFE arising from the Proposed Acquisition.

3.10 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by LFE to put the business of CPMSB on-stream as it is an ongoing business entity with existing operations.

For shareholders' information, based on the latest audited financial statements of CPMSB for the FYE 31 December 2021, CPMSB recorded PAT of RM7.32 million and net cash generated from operating activities of RM4.28 million.

3.11 Information on Vendor

Resolute Accomplishment Sdn Bhd was incorporated in Malaysia on 4 March 2010 as a private limited company under the Companies Act 1965 and is deemed registered under the Act. It is principally an investment holding company.

As at the LPD, its issued share capital is RM5,000,000 comprising 5,000,000 shares. Set out below are the details of the directors and shareholders and their respective shareholdings in the Vendor:-

			<--------Direct--------->		<--------Indirect-------->	
Name	**Designation**	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Audrey Chua Mei Ling	Director/ Shareholder	Malaysian	1,725,000	34.5	2,900,000[*1]	58.0
Goh Poh Choo	Director/ Shareholder	Malaysian	375,000	7.5	-	-
Gosave Sdn Bhd	Shareholder	Malaysia	2,900,000	58.0	-	-

***Note**:-*

[*1] *Deemed interested by virtue of her shareholding in Gosave Sdn Bhd pursuant to Section 8 of the Act.*

4. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

The Proposed Acquisition entails the acquisition of an additional 49% equity interest in CPMSB, which as at the LPD is a 51%-owned subsidiary of LFE principally engaged in the provision of C&S and M&E works in the construction industry, which are similar to the current core business activities of LFE.

For shareholders' information, the initial acquisition of the 51% equity interest in CPMSB was completed on 27 May 2021 for the purchase consideration of RM27.54 million, determined on a willing buyer willing seller basis between the Company and the Vendor. The Initial Acquisition was undertaken for the primary intention to expand the Group's existing construction arm.

As depicted in the table below, CPMSB has contributed substantially to the Group's revenue and PAT for the FYEs 31 December 2021 and 2022:-

	FYE 31 December 2021			**FYE 31 December 2022**		
	CPMSB	**LFE Group**	**Contribution**	**CPMSB**	**LFE Group**	**Contribution**
Revenue	RM18.6 mil	RM32.9 mil	56.5%	RM53.9 mil	RM73.2 mil	73.6%
PAT/ (LAT)	RM2.1 mil	RM(14.1) mil	114.9%	RM1.6 mil	RM1.9 mil	84.2%

Notwithstanding CPMSB's profitable track record over the financial years under review, the Group has only been able to recognise PAT from CPMSB up to the extent of the Group's 51% equity interest, despite the full recognition of CPMSB's revenue. As such, the Board has decided to acquire the remaining 49% equity interest in less than 2 years from the Initial Acquisition to allow the Group to recognise the entire PAT from CPMSB, translating to a more reflective margin result of the Group according to its controlling interest in CPMSB.

Furthermore, the Proposed Acquisition represents a lower-risk investment for the Group as compared to an investment in a new business or external company, as CPMSB is already an ongoing entity generating its own cash flow and profits as well as an existing subsidiary of the Group that does not require additional costs for integration into the Group from an operational or administrative perspective. In addition, as the management has an existing understanding of CPMSB's operations and company culture, the Proposed Acquisition is expected to mitigate the Group's integration risks as opposed to an acquisition of a new company external to the Group.

Despite the share dilution on existing shareholders, the Board opines that the partial settlement of the Purchase Consideration via the proceed from the Proposed Private Placement and the issuance of Consideration Shares are in the best interest of the Company due to its continuous loss making position for the past financial years. This would enable the Group to maintain a low gearing ratio moving forward as a mean to improve operational efficiency and cash flow without the need to increase debt obligation and interest costs, while keeping a sufficient level of cash reserves to navigate operational headwinds.

Barring any unforeseen circumstances and based on the above, the Proposed Acquisition is expected to contribute positively to the Group's future profit attributable to shareholders.

5. INDUSTRY OUTLOOK AND PROSPECTS OF CPMSB AND LFE GROUP

5.1 Overview and outlook of the Malaysian economy

Malaysia's economy expanded by 6.9% in the first half of 2022 underpinned by favourable momentum in the domestic economy and steady expansion in the external sector, as well as continued improvement of the labour market conditions. The strong performance is expected to sustain, backed by an increase in private consumption and business activities as the economy transitions to endemicity phase of COVID-19 with the surging tourist arrivals. Furthermore, the growth momentum was attributed to the Government's consistent policy support, particularly with the implementation of initiatives under the Budget 2022 since the start of the year, as well as the spillover effects from the Budget 2021 measures coupled with various assistance and stimulus packages.

In tandem with continued implementation of development programmes and projects, the economy is expected to expand further in the second half of the year. The growth prospects have been supported by the resumption of economic and social activities and improvement in international travel activities following the relaxation of COVID-19 restrictions regionally. With better prospects as indicated by the Leading Index, the economy is anticipated to gain its growth momentum in the second half of the year attributed to strong domestic demand as the country transitions into endemicity. For the full year of 2022, the economic growth is expected to register a higher growth within the range of 6.5% – 7%. The domestic economy remains resilient and is forecast to expand between 4% – 5% in 2023 driven by the domestic demand.

Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

Global growth is projected to moderate in 2022, after experiencing a strong economic expansion, both in advanced economies as well as emerging markets and developing economies (EMDEs), in 2021. In addition, escalating inflationary pressure as a result of high commodity prices is projected to prompt most central banks to tighten their monetary policy. Meanwhile, a slowdown in China's economic activities, supply chain disruptions and prolonged geopolitical tensions are anticipated to soften global growth in 2023.

Malaysia's economic recovery continued its strong momentum in the first half of 2022 amid the global headwinds. The GDP grew at 6.9% during the period supported by the implementation of Budget 2022 measures, transition to the endemicity and reopening of international borders. The economy is expected to grow at 6.1% in the second half of 2022 in line with strong domestic pent-up demand from private sector, remarkable tourism activities and outstanding trade performance. Furthermore, robust performance in services and manufacturing sectors as well as improvement in the labour market conditions are envisaged to contribute significantly to the economic growth. Overall, the nation's economy is expected to grow between 6.5% – 7% in 2022.

In line with the softening global economic outlook, Malaysia's economy is expected to moderate in 2023. Strong economic fundamentals, further improvement in employment prospects, sustained consumer and business confidence as well as continuous policy support for vulnerable households are projected to stimulate domestic demand. Steady external demand, especially for electrical & electronic (E&E) products and major commodities, is anticipated to continue driving the exports, thus maintaining a surplus in current account of the balance of payments (BOP).

On the supply side, all economic sectors are projected to expand, with the services and manufacturing sectors remain as the major contributors to the economy. The services sector will benefit from an increase in domestic demand and tourism activities. The manufacturing sector is expected to be driven by global demand for E&E and rubberbased products coupled with an expansion in domestic industries such as food and construction related products. Meanwhile, the construction sector is projected to improve with the acceleration of existing infrastructure projects and higher private investment that would increase demand for more commercial and residential buildings. Thus, the nation's GDP is forecast to expand between 4% – 5% in 2023.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

5.2 Overview and outlook of the construction industry in Malaysia

The construction sector contracted by 2.1% in the first half of 2022, mainly due to lower construction activities in civil engineering and residential buildings subsectors. In contrast, non-residential buildings and specialised construction activities subsectors registered a growth during the same period, in line with expansion in business activities, albeit rising prices of construction-related materials.

The sector is expected to turn around in the second half with an expansion rate of 6.9%, supported by positive growth in all subsectors. Improvement in private investment and robust domestic economic activities are anticipated to increase demand for more industrial buildings. In addition, the acceleration of major infrastructure projects will continue to drive the sector's performance. The development of residential property is expected to remain active supported by continuous implementation of measures under the Budget 2022 including a total government guarantee of up to RM2.00 billion to banks via Skim Jaminan Kredit Perumahan (SJKP) as well as housing projects for low income group with an allocation of RM1.50 billion. In 2022, the sector is projected to rebound by 2.3%.

The construction sector is forecast to expand by 4.7% in 2023 following a better performance in all subsectors. Civil engineering subsector is anticipated to rebound buoyed by implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3).

In addition, the approved investment projects in the manufacturing sector are anticipated to come onstream and subsequently creating a greater demand for industrial buildings. Hence, the non-residential buildings subsector is projected to expand further. Meanwhile, the residential buildings subsector is expected to grow steadily supported by more construction of affordable houses, in line with the strategy under the 12th Malaysia Plan. In addition, incentive offered by the Government to encourage home ownership through the Malaysian Home Ownership Initiative (i-MILIKI) programme is expected to spur demand for residential buildings while addressing the property overhang issue.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

Major commodity prices skyrocketing, especially for building materials such as steel, aluminium and copper. This posed huge obstacles for construction players when bidding for infrastructure/building projects from developers. Prices for major building materials have fallen off their peaks as supply chain pressure eases throughout the year. Although prices for major building materials such as steel, steel and metal section, and bricks and walls are all showing signs of cooling down, this is not the light at the end of the tunnel for the Bursa Construction Index as the underlying major concern persists. Also, these building material costs remain relatively high compared to a year ago. As such, the declining building material prices are not something to cheer for and would not be the catalyst for the Bursa Construction Index.

(Source: https://themalaysianreserve.com/2022/12/05/bumpy-road-ahead-for-construction-sector/)

5.3 Prospects of CPMSB and LFE Group

The Group intends to continue to seek business opportunities and investments in its construction services business (i.e. provision of C&S and M&E works) and potential acquisitions that are synergistic in expanding the Group's presence in these key areas. With the acquisition of 51% equity interest in CPMSB, it has been demonstrated that such synergies can quickly strengthen the Group's competitiveness in the market. Since its incorporation into the Group, CPMSB has been able to provide complementary synergies such as the sharing of technical expertise and resources for current and future construction projects and an enlarged workforce in undertaking construction activities.

Based on the Group's audited financial statements for the FYE 31 December 2021, the Group's revenue increased significantly to RM32.88 million as compared to RM13.43 million in the preceding FYE 31 December 2020. Since CPMSB became part of the Group in the second quarter of 2021, it has contributed RM18.59 million revenue in FYE 31 December 2021, which was entirely from the construction of civil and structural project. The outstanding order book of CPMSB stood at approximately RM167.95 million as at the LPD, which provides earnings visibility for the next 12 months.

In line with the above, the Board had undertaken the Proposed Acquisition with the intention of enhancing the Group's earnings via additional equity interest in CPMSB. With the Proposed Acquisition, as and when the Board deems fit and appropriate, LFE Group may explore other construction projects, which are of larger scale development for instance, the construction of civil and/ or infrastructure in nature as the current construction portfolios of LFE and CPMSB are mainly in the construction of residential and non-residential buildings such as high rise buildings, terrace houses and mixed developments. Premised on the foregoing, the Board expects the acquisition of additional equity interest in LFE may contribute positively to the Group's future profit attributable to shareholders.

In addition, the Board has made efforts in recent years to diversify the Group's sources of revenue and earnings instead of solely relying on a single business segment (i.e. construction, mechanical and electrical segment). Such efforts comprised the Group's joint venture into the property development segment, so as to mitigate its reliance on a single business segment and to create an additional source of income stream for the Group moving forward.

Barring any unforeseen circumstances and premised on the above as well as the economy and industry outlook, the Board is cautiously optimistic of the future prospects of CPMSB and LFE Group in view that that there may be uncertainty associated with the rising construction cost, particularly building materials such as steel bars and concrete, due to reduced productivity and logistic issues brought on by COVID-19 pandemic.

(Source: Management of LFE)

6. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risk pursuant to the Proposed Acquisition except for inherent risks associated with the construction industry, of which the Group is already involved in, and would already be addressed as part of the Group's ordinary course of business. Additional potential risks that may have an impact on LFE Group, which may not be exhaustive pertaining to the Proposed Acquisition are set out below:-

6.1 Investment risks

It is expected that upon completion of the Proposed Acquisition, the Group's increased equity interest in CPMSB will contribute positively to the Group's future financial performance and profit attributable to shareholders. However, there can be no assurance that the business of CPMSB will continue to generate the expected return on investment, as the success and profitability of its business is exposed to various risk factors. Nevertheless, moving forward, the Board is confident that it can manage such risk by leveraging on the Group's management and Directors.

6.2 Dependency on award of new contracts

As the nature of the construction business is project-based, there is no assurance that CPMSB will be able to continuously secure new projects, nor any assurance that new projects secured will be on commercial terms favorable to the Group. The financial performance of the Group depends on the ability to secure new projects to sustain the Group's order book. If CPMSB is unable to do so, the order book may decline and this may cause a material adverse impact on the subsidiary of the Company, growth potential, and future financial performance. In addition, it is generally difficult to predict whether and when CPMSB will be awarded with such contracts as the bidding and selection process is often lengthy, complex and very competitive.

As set out in **Section 3.1** of this Circular, CPMSB has an outstanding order book of approximately RM167.95 million as at the LPD. Any delay or cancellation or reduction in the contract value or scope of work of projects secured will reduce the value of existing order book and in turn affect the CPMSB's future financial performance. Nevertheless, the Board will explore opportunities to tender for contracts to replenish the order book of LFE Group to ensure a sustainable revenue stream for LFE Group's businesses for the medium to long term.

6.3 Completion risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSA being fulfilled or waived, details of which are as set out in **Appendix II** of this Circular. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SSA. In the event that the condition precedents are not met/ waived, the SSA will be terminated and the Proposed Acquisition will not be completed.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedents are met in a timely manner and that every effort is made to obtain all necessary approvals for the Proposed Acquisition within the stipulated timeframe.

7. EFFECTS OF THE PROPOSALS

7.1 Issued share capital

	No. of Shares	RM
Issued share capital as at the LPD	801,351,235	107,712,234
Placement Shares to be issued pursuant to the Proposed Private Placement	240,405,370	20,771,024*1
	1,041,756,605	128,483,258
Consideration Shares to be issued pursuant to the Proposed Acquisition	66,872,427	6,500,000*2
Enlarged issued share capital	**1,108,629,032**	**134,983,258**

***Notes**:-*

*1 *Computed based on the issue price of RM0.0864 per Placement Share.*

*2 *Computed based on the issue price of RM0.0972 per Consideration Share.*

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7.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position for the FYE 31 December 2021, the pro forma effects of the Proposals on the NA per Share and gearing of the Group are set out as follows:-

		I	II
	Audited as at 31 December 2021	**After the Proposed Private Placement**	**After I and the Proposed Acquisition**
	RM	**RM**	**RM**
Share capital	107,712,234	128,483,258	134,983,258
Other reserves	21,336,665	21,336,665	21,336,665
Accumulated losses	(61,368,696)	(61,688,696)[*1]	(61,688,696)
Shareholders' fund/ NA	**67,680,203**	**88,131,227**	**94,631,227**
Non-controlling interest	6,272,096	6,272,096	96,386[*2]
Total equity	**73,952,299**	**94,403,323**	**94,727,613**
No. of Shares in issue (units)	801,351,235	1,041,756,605	1,108,629,032
NA per Share (RM)	0.08	0.08	0.09
Total borrowings (RM)	338,025	338,025	338,025
Gearing ratio (times)	-[*2]	-[*2]	-[*2]

Notes:-

[*1] *After deducting the estimated expenses of RM320,000 in relation to the Proposals.*

[*2] *After adjusting for the Vendor's non-controlling interest in CPMSB of RM6,175,170.*

[*3] *Negligible.*

7.3 Substantial shareholding structure

The Proposals will result in a dilution of the shareholdings of the Company's shareholders.

	As at the LPD				I After the Proposed Private Placement			
	<----------Direct--------->		<--------Indirect-------->		<----------Direct--------->		<--------Indirect-------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Liew Kiam Woon	51,564,024	6.43	25,589,874*2	3.19	51,564,024	4.95	25,589,874*2	2.46
Ng Kok Kheng	87,600,000	10.93	-	-	87,600,000	8.41	-	-
Sierra Bonus Sdn Bhd	82,604,172	10.31	-	-	82,604,172	7.93	-	-
Vendor	31,500,000	3.93	-	-	31,500,000	3.02	-	-
Gosave Sdn Bhd*1	-	-	31,500,000*3	3.93	-	-	31,500,000*3	3.02
Audrey Chua Mei Ling	-	-	31,500,000*3	3.93	-	-	31,500,000*3	3.02

	II After I and the Proposed Acquisition			
	<-----------Direct----------->		<---------Indirect--------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Liew Kiam Woon	51,564,024	4.65	25,589,874*2	2.31
Ng Kok Kheng	87,600,000	7.90	-	-
Sierra Bonus Sdn Bhd	82,604,172	7.45	-	-
Vendor	98,372,427	8.87	-	-
Gosave Sdn Bhd*1	-	-	98,372,427*3	8.87
Audrey Chua Mei Ling	-	-	98,372,427*3	8.87

Notes:-

[*1] *The ultimate shareholder of Gosave Sdn Bhd is Audrey Chua Mei Ling.*

[*2] *Deemed interested by virtue of his shareholding in Liew Meow Nyean Realty Sdn Bhd pursuant to Section 8 of the Act.*

[*3] *Deemed interested by virtue of her/ its shareholding in the Vendor pursuant to Section 8 of the Act.*

7.4 Public shareholding spread

Pursuant to Paragraph 8.02(1) of the Listing Requirements, LFE must ensure that at least 25% of the total listed shares (excluding treasury shares, if any) are in the hands of public shareholders. For information purpose, the Company's public shareholding spread is not expected to fall below 25% of the enlarged issued share capital after the completion of the Proposals as set out below:-

	As at the LPD		I After the Proposed Private Placement		II After I and the Proposed Acquisition	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Non-public shareholding	286,612,315	35.76	286,612,315	27.51	384,984,742	34.72
Public shareholding	**514,738,920**	**64.24**	**755,144,290**	**72.49**	**723,644,290**	**65.28**
Total	**801,351,235**	**100.00**	**1,041,756,605**	**100.00**	**1,108,629,032**	**100.00**

7.5 Earnings and EPS

7.5.1 Proposed Private Placement

The Proposed Private Placement, which is expected to be completed in the second quarter of 2023, is not expected to have any material effect on the earnings and EPS of LFE Group for the FYE 31 December 2022. However, there will be a dilution in the EPS of LFE Group for the FYE 31 December 2023 due to the increase in the number of LFE Shares in issue arising from the Proposed Private Placement, as and when implemented.

7.5.2 Proposed Acquisition

The Proposed Acquisition, which is expected to be completed in the second quarter of 2023, is not expected to have any material effect on the earnings and EPS of the Group for the FYE 31 December 2022. However, the Group's increased equity interest in CPMSB pursuant to the Proposed Acquisition is expected to contribute positively to the Group's future earnings attributable to shareholders.

For illustrative purposes only, assuming that the Proposed Acquisition had been effected on 1 January 2021 (being the beginning of the latest audited FYE 31 December 2021 of LFE), the pro forma effects of the Proposed Acquisition on the earnings and the EPS of LFE Group are as follows:-

	Audited as at 31 December 2021 RM	I After the Proposed Private Placement RM	II After I and the Proposed Acquisition RM
LAT attributable to shareholders[*1]	(16,106,958)	(16,106,958)	(16,106,958)
Share of profit from 49% additional equity interest in CPMSB (attributable to shareholders) pursuant to the Proposed Acquisition[*2]	-	-	1,990,471
Total LAT	**(16,106,958)**	**(16,106,958)**	**(14,116,487)**
Number of Shares in issue (units)	801,351,235	1,041,756,605	1,108,629,032
Loss per Share (sen)	(2.01)	(1.55)	(1.27)

Notes:-

[*1] *The LAT had included the recognition of 51% of CPMSB's PAT for the FYE 31 December 2021.*

[*2] *Based on the latest audited financial results of CPMSB for the FYE 31 December 2021, represented by 49% equity interest to be acquired by LFE.*

7.6 Convertible securities

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

8. HISTORICAL SHARE PRICE

The monthly highest and lowest market prices of LFE Shares as traded on Bursa Securities for the past 12 months from April 2022 to March 2023 are set out below:-

	High RM	Low RM
2022		
April	0.1350	0.1250
May	0.1250	0.1200
June	0.1250	0.0950
July	0.1050	0.0900
August	0.1050	0.0900
September	0.1000	0.0850
October	0.1700	0.0800
November	0.1050	0.1000
December	0.1300	0.0950
2023		
January	0.1150	0.1050
February	0.1350	0.1050
March	0.1250	0.1200
Last transacted market price of LFE Shares as at the LTD		0.1050
Last transacted market price of LFE Shares as at the LPD		0.1250

(Source: Bloomberg)

9. APPROVALS REQUIRED/ OBTAINED

The Proposals are subject to the following approvals:-

i. Bursa Securities for the following:-

a. listing of and quotation for 240,405,370 Placement Shares to be issued pursuant to the Proposed Private Placement; and

b. listing of and quotation for 66,872,427 Consideration Shares to be issued pursuant to the Proposed Acquisition,

on the Main Market of Bursa Securities, the approval of which has been obtained vide its letter dated 27 March 2023 subject to the following conditions:-

	Conditions	Status of compliance
a.	LFE and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals, including compliance with the public shareholdings spread requirements pursuant to paragraph 8.02(1) of the Listing Requirements;	To be complied
b.	UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement and Proposed Acquisition, respectively;	To be complied

Conditions	Status of compliance
c. LFE/ UOBKH to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the forthcoming general meeting for the Proposals; and	To be complied
d. UOBKH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement and Proposed Acquisition are completed respectively.	To be complied

ii. Shareholders of LFE at the EGM for the Proposals and the waiver of their pre-emptive rights under section 85(1) of the Act[*1] read together with clause 54 of the Company's Constitution to be offered new LFE Shares to be issued pursuant to the Proposals at the forthcoming EGM of the Company, which will result in a dilution of their shareholding percentage in the Company. The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 43.44%, calculated based on the Purchase Consideration against the NA of LFE Group.

iii. Any other relevant authority and/ or party, if required.

The Proposed Private Placement and Proposed Acquisition are inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

Note:-

[*1] *Section 85(1) of the Act provides that:-*

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 54 of the Company's Constitution provides that:-

"Subject to any direction to the contrary that may be given by the Company in general meeting any new shares or other convertible securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided."

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

The Proposed Acquisition is deemed as a RPT, by virtue of the Vendor's interest in both LFE and CPMSB as set out below:-

LFE	:	Shareholder holding 31,500,000 LFE Shares, representing approximately 3.93% equity interest in LFE
CPMSB	:	Major shareholder holding 367,500 CPMSB Shares, representing approximately 49.0% equity interest in CPMSB

As the Proposed Private Placement and Proposed Acquisition are inter-conditional upon each other as per the conditions precedent stipulated in the Subscription Agreements and SSA respectively, the Vendor will abstain from voting and will ensure that persons connected with it will abstain from voting in respect of their direct and/ or indirect shareholdings on the resolutions pertaining to the Proposals at the EGM to be convened.

Save for the above, none of the Directors, major shareholders, chief executive of the Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals.

11. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition, there have been no transactions entered into by the Company with the Vendor for the 12 months preceding the date of this Circular.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered and deliberated on all aspects of the Proposals including but not limited to the terms and conditions of the Subscription Agreements and the SSA, the rationale and justification for the Proposals, the prospects of CPMSB and LFE Group as well as the pro forma effects of the Proposals, is of the opinion that they are in the best interests of LFE Group.

Accordingly, the Board recommends that you **vote in favour** of the resolutions pertaining to the Proposals at the EGM.

13. INDEPENDENT ADVISER

As mentioned in **Sections 1 and 10** of this Circular, the Proposed Acquisition is deemed as a RPT and the Proposals are, among themselves, inter-conditional upon each other. As such, MainStreet has been appointed by the Company to act as the Independent Adviser to undertake the following in relation to the Proposals:-

i. Comment as to:-

   a. whether the Proposals are fair and reasonable in so far as the non-interested Directors and non-interested shareholders of LFE are concerned; and

   b. whether the Proposals are to the detriment of the non-interested shareholders of LFE,

   and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

ii. Advise the non-interested shareholders of LFE whether they should vote in favour of the Proposals; and

iii. Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (i) and (ii) above.

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of LFE, after taking into consideration the advice of the Independent Adviser, is of the opinion that the Proposals are:-

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 LFE.

In forming its views, the Audit Committee of LFE has taken into consideration, amongst others, the following:-

i. the rationale and justification for the Proposals;

ii. the salient terms of the SSA, Supplemental SSA, Subscription Agreements and Supplemental Subscription Agreements;

iii. the basis and justification for arriving at the Purchase Consideration; and

iv. the effects of the Proposals.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed in the second quarter of 2023.

16. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, which are the subject matter of this Circular, the Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD.

17. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be conducted fully virtual from the Online Meeting Platform at https://bit.ly/3jwrvUk provided by Acclime Corporate Services Sdn Bhd on Wednesday, 26 April 2023 at 10.00 a.m., or at any adjournment thereof, together with the Form of Proxy is enclosed herewith.

A member entitled to participate and vote at the EGM is entitled to appoint a proxy/ proxies to participate and vote on his/ her behalf. The Form of Proxy must be deposited at the Registered Office of LFE at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur Malaysia not less than twenty-four (24) hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from participating and voting in person at the EGM if you subsequently wish to do so.

18. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
LFE CORPOROTION BERHAD

LIEW KIAM WOON
MANAGING DIRECTOR

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meanings and expressions as defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "you" and "your" are to the non-interested shareholders, whilst references to "we", "us" or "our" are references to MainStreet, being the Independent Adviser for the Proposals.

This Executive Summary is intended to provide a brief summary of the pertinent information and recommendation as set out in the IAL. You are advised to read and fully understand the IAL, together with the letter from the Board to the shareholders in relation to the Proposals in Part A of the Circular and the accompanying appendices for other relevant information and not rely solely on this Executive Summary in forming an opinion on the Proposals. You are also advised to carefully consider the recommendations and other information contained in the Circular and our IAL before voting on the relevant resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of LFE.

1. Introduction

On 8 December 2022, UOBKH had, on behalf of the Board, announced that LFE had on even date entered into the SSA with the Vendor for the Proposed Acquisition at the Purchase Consideration to be satisfied via a combination of cash and issuance of Consideration Shares. In conjunction with the Proposed Acquisition, UOBKH had on even date announced that LFE wishes to undertake the Proposed Private Placement in order to raise the necessary funds to finance the cash portion of the Purchase Consideration. Pursuant thereto, LFE had on 8 December 2022 entered into Subscription Agreements with the Identified Investors for the subscription of an aggregate of 240,405,370 Placement Shares as detailed out in **Section 2.2 of Part A of the Circular**.

By virtue of the common interest of the Vendor in both LFE and CPMSB, the Vendor is deemed interested in the Proposed Acquisition as detailed out in **Section 10 of Part A of the Circular**, the Proposed Acquisition is deemed to be an RPT pursuant to paragraph 10.08 of the Listing Requirements.

Accordingly, the Board had on 6 March 2023 appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of LFE in respect of the Proposals in view that the Proposed Private Placement and Proposed Acquisition are inter-conditional upon each other.

Subsequently, on 10 March 2023, UOBKH had, on behalf of the Board, announced that the Company had entered into Supplemental Subscription Agreements with the Identified Investors and Supplemental SSA with the Vendor to vary the terms of the Subscription Agreements and the SSA, respectively.

As each component of the Proposals are inter-conditional upon one another, our evaluation would encompass the evaluation of both the Proposed Private Placement and Proposed Acquisition in order to provide the non-interested shareholders of LFE with a holistic view of the fairness and reasonableness of the Proposals.

The purpose of this IAL is to provide the non-interested shareholders of LFE with an independent evaluation on the fairness and reasonableness of the Proposals and whether the terms and conditions of the Proposals are detriment to the non-interested shareholders of LFE together with our recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposals.

2. Evaluation of the Proposals

In evaluating the Proposals, we have taken into consideration the following factors:

Section in the IAL	Area of evaluation	Comments
Section 7	Rationale and benefits of the Proposals	We are of the view that the rationale and benefits for the Proposals are reasonable considering the amount of revenue contributed by CPMSB to the LFE Group since its initial acquisition in 2021. On the other hand, the Proposed Private Placement will allow the Group to raise additional funds without incurring interest cost. Nevertheless, the non-interested shareholders should note the potential benefits arising from the Proposed Acquisition is subject to certain risk factors as disclosed in **Section 6 of Part A of the Circular.**
Section 8	**Evaluation of the Proposed Acquisition**	
Section 8.1	Evaluation of the basis and justification for the Purchase Consideration	In establishing our opinion on the evaluation of the Purchase Consideration, we have considered the discounted free cash flow to equity ("**DCF**") method to be the most appropriate valuation methodology as CPMSB's financial performance has been consistent during the last three (3) FYEs and is expected to have consistent and predictable cashflow in the immediate term. We are of the view that the basis and justification for the Purchase Consideration are fair and reasonable as it falls within the range of the computed equity value based on the DCF methodology.
Section 8.2	Evaluation of the basis and justification for the Issue Price of the Consideration Shares	We note that the issue price of RM0.0972 per Consideration Share was determined by the Board on a willing-buyer willing-seller basis, after taking into consideration the prevailing market prices of LFE Shares for the past 12 months up to the LTD. The issue price of RM0.0972 per Consideration Share is based on the market-based principles where the issue price takes into consideration the prevailing market prices of LFE Shares. Despite the issue price of the Consideration Share being issued at a discount ranging from RM0.0066 to RM0.0166 (6.36% to 14.59%) to the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAPs of the LFE Shares up to the LTD, we are of the view that the issue price of the Consideration Shares is fair as the issue price of the Consideration Share represents a premium of RM0.0133 (15.9%) over the audited NA per LFE Share. With further reference to **Section 8.2 of this IAL**, we are of the opinion that the issue price of the Consideration Share is fair and reasonable. We also note that the issuance of the Consideration Shares is for the partial settlement of the Purchase Consideration and is not detrimental to the non-interested shareholders of LFE.

Section in the IAL	Area of evaluation	Comments
Section 8.3	Evaluation of the salient terms of the SSA as amended by the Supplemental SSA	We have reviewed the SSA as amended by the Supplemental SSA, which includes its salient terms and conditions and we are of the view that the salient terms of the SSA is fair and reasonable and not detrimental to the non-interested shareholders of LFE.
Section 9	**Evaluation of the Proposed Private Placement**	
Section 9.1	Basis and justification of the issue price of the Placement Share	We note that the Proposed Private Placement would entail the issuance of approximately 30.0% of the total number of issued shares of LFE to Identified Investors at an issue price of RM0.0864 per Placement Share. The issue price of RM0.0864 per Placement Share is based on the market-based principles where the issue price takes into consideration. The issue price of RM0.0864 per Placement Share under the Subscription Agreements was arrived at, between LFE and the Identified Investors, on a willing-buyer willing-seller basis, and after taking into consideration the prevailing market prices of LFE Shares and a discount of not more than 20% to the 5-day VWAP of LFE Shares up to and including LTD, of RM0.1080 per LFE Share. We are of the view that this level of discount is common for placement exercises in order to entice investors to fully subscribe for the Placement Shares. With further reference to **Section 9.1 of this IAL**, we are of the opinion that the issue price of the Proposed Private Placement is fair and reasonable as it is based on market pricing principles. We also note that the proceeds from the Proposed Private Placement are raised mainly to finance the Proposed Acquisition and is not detrimental to the non-interested shareholders of LFE.
Section 9.2	Evaluation of the salient terms of the Subscription Agreements as amended by the Supplemental Subscription Agreements	We have reviewed the Subscription Agreements as amended by the Supplemental Subscription Agreements, which includes its salient terms and conditions and we are of the view that the salient terms of the Subscription Agreements is fair and reasonable and not detrimental to the non-interested shareholders of LFE.

Section in the IAL	Area of evaluation	Comments
Section 10	Effects of the Proposed Acquisition	(1) The Proposals will increase the Company's issued share capital whilst simultaneously diluting the substantial shareholders' shareholdings in the Company pursuant to the issuance of the Consideration Shares and Placement Shares to satisfy the Purchase Consideration. (2) The Proposals are not expected to have any material effect on the earnings and EPS of the LFE Group for the FYE 31 December 2022. However, due to the increase in the number of issued shares pursuant to the issuance of the Placement Share and Consideration Shares, the LFE Group will experience a dilutive effect on its earnings and EPS for the FYE 31 December 2023. On the other hand, the Proposed Acquisition is expected to contribute positively to the LFE Group's future earnings pursuant to the increase in equity interest held in CPMSB. (3) Based on the Statement of Financial Position as at 31 December 2021 and on the assumption that the Proposals had been effected on that date, the Proposed Acquisition is expected to contribute positively to the future earnings of LFE after taking into consideration the number of ongoing construction projects currently undertaken by CPMSB and the Company's increased equity interest in CPMSB. The Proposed Acquisition and Proposed Private Placement will increase LFE's NA from RM67.68 million to RM94.63 million whilst slightly increasing LFE's NA per Share from RM0.08 to RM0.09. We note that the Company does not have any borrowings as of the FYE 31 December 2021 and will therefore produce a negligible gearing ratio. (4) After the completion of the Proposals, LFE's public shareholding spread is not expected to fall below 25% of its enlarged issued share capital whereas it is expected to increase from 64.24% as at the LPD to 65.28%. Premised to the above, we are of the view that the overall effects arising from the Proposals are reasonable and not detrimental to the non-interested shareholders of LFE.
Section 11	Economy outlook, industry overview and prospects	We note that the Malaysian economy and the construction sector in Malaysia is improving with the re-opening of economic activities and border as the country transitions to endemicity post COVID-19 pandemic. Premised to the above and based on the generally positive outlook on the continued growth in construction projects especially in the civil engineering, residential and non-residential buildings sub sector in which the LFE Group operates in, we are of the view that the overall prospects of CPMSB and the LFE Group following the completion of the Proposed Acquisition are favourable.

Section in the IAL	**Area of evaluation**	**Comments**
Section 12	Risk factors of the Proposed Acquisition	In evaluating the Proposed Acquisition, you should carefully consider the following risk factors as set out in **Section 6 of Part A of the Circular**: (i) Risks relating to the Proposed Acquisition such as completion risk and investment risk; and (ii) Risks relating to the dependency and award of new contracts. We wish to highlight that although efforts and measures would be taken by LFE to mitigate the risk associated with the Proposed Acquisition, no assurance can be given that one or a combination of risk factors will not occur and give rise to material and adverse impact on the business and operations of LFE, its competitiveness, financial performance, financial position, or prospects thereon.

3. Conclusion and recommendation

Premised on the abovementioned factors and our evaluation of the Proposals based on the information made available to us, we are of the view that the Proposals are **fair** and **reasonable** and **not detrimental** to the non-interested shareholders of LFE.

Accordingly, we recommend that you **vote in favour** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM of LFE.

We have assessed and evaluated the Proposals and have set out our evaluation in the IAL. The non-interested shareholders of LFE should carefully consider all relevant and pertinent factors including those set out above and other considerations as set out in this IAL, the Circular and its appendices as well as the recommendation of the Board before making a decision on the course of action to be taken.

As far as our analyses and assessment as contained in the IAL are concerned, we have considered factors which we believe to be of general relevance to the shareholders as a whole. We have not taken into consideration any specific investment objective, financial situation, risk profile and particular need of any individual shareholders or any specific groups of shareholders.

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

MainStreet

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12 April 2023

To: The non-interested shareholders of LFE

Dear Sir/Madam,

LFE CORPORATION BERHAD ("LFE" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF LFE IN RELATION TO THE PROPOSALS

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*This IAL is prepared for the inclusion in the circular to the shareholders dated 12 April 2023 ("**Circular**") in relation to the Proposals. All the definitions used in this IAL shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the content otherwise requires or where otherwise defined herein.*

1. INTRODUCTION

On 8 December 2022, UOBKH had, on behalf of the Board, announced that LFE had on even date entered into an SSA with the Vendor for the Proposed Acquisition at the Purchase Consideration to be satisfied via a combination of cash and issuance of Consideration Shares. In conjunction with the Proposed Acquisition, UOBKH had on even date announced that LFE wishes to undertake the Proposed Private Placement in order to raise the necessary funds to finance the cash portion of the Purchase Consideration. Pursuant thereto, LFE had on 8 December 2022 entered into Subscription Agreements with the Identified Investors for the subscription of an aggregate of 240,405,370 Placement Shares as detailed out in **Section 2.2 of Part A of the Circular**.

By virtue of the common interests of the Vendor in both LFE and CPMSB, the Vendor is therefore deemed interested in the Proposed Acquisition as detailed out in **Section 10 of Part A of the Circular**, the Proposed Acquisition is deemed to be an RPT pursuant to paragraph 10.08 of the Listing Requirements.

Accordingly, the Board had on 6 March 2023 appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of LFE in respect of the Proposals in view that the Proposed Private Placement and Proposed Acquisition are inter-conditional upon each other.

Subsequently, on 10 March 2023, UOBKH had, on behalf of the Board, announced that the Company had entered into Supplemental Subscription Agreements with the Identified Investors and Supplemental SSA with the Vendor to vary the terms of the Subscription Agreements and the SSA, respectively.

As each component of the Proposals are inter-conditional upon one another, our evaluation would encompass the evaluation of both the Proposed Private Placement and Proposed Acquisition in order to provide the non-interested shareholders of LFE with a holistic view of the fairness and reasonableness of the Proposals.

The purpose of this IAL is to provide the non-interested shareholders of LFE with an independent evaluation on the fairness and reasonableness of the Proposals and whether the terms and conditions of the Proposals are detriment to the non-interested shareholders of LFE together with our recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposals.

The non-interested shareholders of LFE should nonetheless also perform their own evaluation on the merits of the Proposals before making a decision on the course of action to be taken.

This IAL is prepared solely for the use of the non-interested shareholders of LFE for the purpose of considering the Proposals and should not be used or relied upon by any other party for any other purpose whatsoever.

NON-INTERESTED SHAREHOLDERS OF LFE ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

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

2. DETAILS OF THE PROPOSALS

The details of the Proposals as disclosed in the following sections in Part A of the Circular should be read in entirety by the non-interested shareholders of LFE:

		Details in Part A of the Circular
(i)	Proposed Private Placement	Section 2
(ii)	Proposed Acquisition	Section 3

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSALS

We were not involved in the formulation or negotiations of the terms and conditions of the Proposals nor were we involved in the deliberations leading up to the decision by the Board in respect of the Proposals. The terms of reference of our appointment as the Independent Adviser to the non-interested Directors and non-interested shareholders of LFE in relation to the Proposed Acquisition are in accordance with the requirements set out in paragraph 10.08 of the Listing Requirements.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to you, together with our recommendation on whether you should vote in favour of the resolutions pertaining to the Proposals, based on the information and documents requested and provided to us or which are available to us, including the following:

(i) the information contained in Part A of the Circular and the appendices attached thereto;

(ii) the SSA dated 8 December 2022 entered into by LFE and the Vendor in relation to the Proposed Acquisition;

(iii) the Subscription Agreements dated 8 December 2022 entered into between LFE and the Identified Investors for the Proposed Private Placement;

(iv) the supplemental agreements of the Subscription Agreements and the SSA entered into between the company with the Identified Investors and Vendor, respectively;

(v) The financial forecast and projections of CPMSB for the five (5) FYE 31 December 2027 ("**Future Financials**");

(vi) information furnished to us (both orally and in writing) by the Board and management of LFE; and

(vii) other relevant publicly available information.

We have relied on the Board and management of LFE to exercise due care to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposals are accurate, valid and complete in all material aspects. After making all reasonable enquiries and to the best of our knowledge, we are satisfied that sufficient information has been obtained and we have no reason to believe that the aforesaid information provided to us or which are available to us is unreliable, incomplete, misleading and/or inaccurate as at the LPD.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the views and recommendation of MainStreet) and confirms that, after having made all reasonable enquiries and to the best of their knowledge, there are no omission of any material facts which would make any statement in this IAL false or misleading.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance to you for a holistic assessment of the Proposals and therefore, are of general concern to you. Notwithstanding the following:

(i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposals; and

(ii) we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual shareholders or any specific group of shareholders. We recommend that any of you who require specific advice in relation to the Proposals in the context of your individual investment objectives, financial situation, risk profile or particular needs should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on the prevailing market, economic, industry and other conditions (where applicable) and the information/documents made available to us as at the LPD.

We will notify the non-interested shareholders of LFE, after the despatch of this IAL and until the date of the EGM, if we become aware of the following:

(i) significant change affecting the information contained in the IAL;

(ii) there is a reason to believe that the statements in the IAL are misleading/deceptive; and

(iii) there is a material omission in the IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders of LFE.

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

MainStreet confirms that there are no circumstances which exist or are likely to give rise to a possible conflict of interest situation for Mainstreet to carry out the role as the Independent Adviser in connection to the Proposals. Save for the current appointment as the Independent Adviser, we did not have any other professional relationship with LFE at any time during the past two (2) years prior to the date of this IAL.

MainStreet is a corporate finance advisory firm licensed by the Securities Commission Malaysia ("**SC**") to carry on the regulated activity of advising on corporate finance under the CMSA. We have in the past assumed the role as an Independent Adviser for other corporate exercises, which included the following transactions since the last three (3) years:

(i) Unconditional mandatory take-over offer by Ho Wah Genting Holding Sdn Bhd through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares and all the remaining unexercised warrants in Ho Wah Genting Berhad not already owned by Ho Wah Genting Holding Sdn Bhd, Dato' Lim Ooi Hong, Lim Wee Kiat and Datuk Teo Tiew, as per our independent advice circular ("**IAC**") dated 28 May 2020;

(ii) Unconditional mandatory take-over offer by Hextar Rubber Sdn Bhd (formerly known as Erpstar Inc. Sdn Bhd) and Dato' Ong Choo Meng (collectively referred to as the "**Joint Offerors**") through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in Rubberex Corporation (M) Berhad (presently known as Hextar Healthcare Berhad) which are not already owned by the Joint Offerors, as per our IAC dated 23 July 2020;

(iii) Renewal of lease agreements of six (6) hospitals entered into between the subsidiaries of KPJ Healthcare Berhad with Amanahraya Trustee Berhad and Damansara REIT Managers Sdn Berhad on behalf of Al-'Aqar Healthcare REIT, as per our independent advice letter dated 24 May 2021;

(iv) Unconditional mandatory take-over offer by Dato' Sri Dr. Pang Chow Huat and Ho Jien Shiung through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in BSL Corporation Berhad not already owned by Dato' Sri Dr. Pang Chow Huat and Ho Jien Shiung, as per our IAC dated 26 July 2021;

(v) Unconditional voluntary take-over offer by Chew Choo Soon and Chang Wai Hoong through UOBKH Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in MyKRIS International Berhad (presently known as Zenworld Holdings Berhad) not already owned by Chew Choo Soon and Chang Wai Hoong, as per our IAC dated 16 December 2021;

(vi) Conditional voluntary take-over offer by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in Complete Logistic Services Berhad (presently known as Hextar Technologies Solutions Berhad) not already owned by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng, as per our IAC dated 31 December 2021;

(vii) Unconditional voluntary take-over offer by Chew Choo Soon and Chang Wai Hoong through UOBKH Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in Zenworld Holdings Berhad not already owned by Chew Choo Soon and Chang Wai Hoong, as per our IAC dated 14 February 2022

(viii) Unconditional mandatory take-over offer by Dato' Sri Dr. Pang Chow Huat through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in Computer Forms (Malaysia) Berhad not already owned by Dato' Sri Dr. Pang Chow Huat, as per our IAC dated 5 May 2022;

(ix) Proposed disposal of 100% equity interest in Lee Soon Seng Plastic Industries Sdn Bhd, a wholly-owned subsidiary of SCGM Bhd for a total cash consideration of approximately RM544.38 million ("**Proposed Disposal**") and proposed distribution of the proceeds arising from the Proposed Disposal to all entitled shareholders of SCGM Bhd by way of proposed capital reduction and repayment as well as proposed special dividend, as per our independent advice letter dated 29 July 2022;

(x) Proposed exemption under subparagraph 4.08(1)(b) of the Rules on Take-overs, Mergers and Compulsory Acquisition and the Malaysian Code on Take-overs and Mergers 2016 for Heng Holdings Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory offer for the remaining Hua Yang Berhad ("**HYB**") shares ("**HYB Share(s)**" or "**Share(s)**") and warrants not already owned by them pursuant to the proposed renounceable rights issue, as per our independent advice letter dated 12 August 2022;

(xi) Unconditional voluntary take-over offer by Lee Ming Tee, Lee Seng Huang, Lee Seng Hui, Klang Enterprise Sdn Bhd, Sagittarius Management Sdn Bhd, Mount Glory Investments Limited, Magic Unicorn Limited, Mountbatten Corporation & Nautical Investments Limited (collectively, the "**Joint Offerors**") to acquire all the remaining ordinary shares in Mulpha International Bhd not already held by the Joint Offerors, as per our IAC dated 25 October 2022;

(xii) Conditional mandatory take-over offer by Intisari Delima Sdn Bhd (the "**Offeror**") through TA Securities Holdings Berhad to acquire all the remaining ordinary shares in Ornapaper Berhad not already owned by the Offeror as well as Sai Ah Sai, Sai Han Siong, Sai Chin Hock and persons acting in concert with them, as per our IAC dated 25 October 2022;

(xiii) Proposed disposal of 100% equity interest in Seng Yip Furnitures Sdn Bhd, a wholly-owned subsidiary of SYF Resources Berhad ("**SYF**") to Mieco Chipboard Berhad for a total cash consideration of approximately RM50.0 million, proposed disposal of two (2) parcels of freehold land to Juta Development Sdn Bhd for a total cash consideration of approximately RM21.2 million, proposed acquisition of the entire equity interest and redeemable convertible preference shares in M&A Securities Sdn Bhd by SYF from Insas Berhad ("**Insas**") for a purchase consideration of RM222.0 million ("**Proposed Acquisition**") and proposed exemption under subparagraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisition for Insas and its persons acting in concert with it from the obligation to undertake a mandatory offer to acquire the remaining shares in SYF not already owned by them upon completion of the Proposed Acquisition, as per our independent advice letter dated 28 December 2022; and

(xiv) Proposed acquisition of 3 industrial properties by RHB Trustees Berhad, being the trustee of AME REIT, from the subsidiaries of AME Elite Consortium Berhad for a total cash consideration of RM69,250,000, as per our independent advice letter dated 10 February 2023.

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

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

The interests of the Directors, major shareholders, chief executive and/or persons connected with them are disclosed in **Section 10 of Part A of the Circular**. Save for those disclosed in **Section 10 of Part A of the Circular**, none of the other Directors, major shareholders, chief executive and/or persons connected with them have any interests, direct or indirect, in the Proposed Acquisition.

6. EVALUATION OF THE PROPOSALS

As each component of the Proposals are inter-conditional upon each other, the evaluation of the Proposals are necessary to provide the non-interested shareholders of LFE with a holistic view of the fairness and reasonableness of the Proposals.

We have taken into consideration the following factors in our evaluation of the Proposals:

	Consideration factors	**Details in this IAL**
(i)	Rationale and benefits of the Proposals	Section 7
(ii)	Evaluation of the Proposed Acquisition • Basis and justification for the Purchase Consideration • Basis and justification for the Issue Price of the Consideration Shares • Evaluation of the salient terms of the SSA as amended by the Supplemental SSA	 Section 8.1 Section 8.2 Section 8.3
(iii)	Evaluation of the Proposed Private Placement • Basis and justification for the Issue Price of the Placement Shares • Evaluation of the salient terms of the Subscription Agreements as amended by the Supplemental Subscription Agreements	 Section 9.1 Section 9.2
(iv)	Effects of the Proposals	Section 10
(v)	Economy outlook, industry overview and future prospects	Section 11
(vi)	Risk factors of the Proposed Acquisition	Section 12

7. RATIONALE AND BENEFITS OF THE PROPOSALS

The rationale of the Proposals is as set out in **Section 4 of Part A of the Circular**.

LFE Group is primarily involved in building construction, electrical & mechanical engineering services and property development. The segmental revenue and PBT of LFE Group for the FYE 31 December 2019 to FYE 31 December 2021 (audited) and FYE 31 December 2022 (Unaudited) are summarised as follows:

	FYE 31 December			
	2019	2020	2021	2022
		(RM'million)		
Segmental Analysis				
Revenue				
- Construction/ Electrical & mechanical	18.9	13.4	32.9	68.3
% of total revenue	*100.0%*	*100.0%*	*100.0%*	*93.4%*
- Property development	-	-	-	4.9
% of total revenue	-	-	-	*6.6%*
	18.9	13.4	32.9	73.2
PBT / (loss before tax)				
- Construction/ Electrical & mechanical	0.5	(0.2)	(12.0)	3.2
% of total PBT	*500.0%*	*(11.8%)*	*(93.7%)*	*103.2%*
- Property development	-	-	-	0.3
% of total PBT	-	-	-	*9.7%*
- Others	*(0.4)*	(1.5)	*(0.8)*	*(0.4)*
% of total PBT	*(400.0%)*	*(88.2%)*	*(6.3%)*	*(12.9%)*
	0.1	(1.7)	(12.8)	3.1

(Source: Annual Reports and quarterly report on consolidated results for the FPE 31 December 2022 of LFE)

Based on the table above, we noted that the construction / electrical & mechanical division has been the main contributor to LFE Group's total revenue for the last four (4) financial years with the revenue and PBT contribution for the most recent financial year being 93.4% and 103.2% of LFE Group's total revenue and total PBT respectively. Ever since the acquisition of 51% equity interest in CPMSB in FYE 2021, CPMSB has contributed RM18 million (representing 54.7%) and RM18.6 million (representing 56.5%) to LFE Group's FYE 2021 revenue and FYE 2022 respectively. A summary of consolidated financial information of CPMSB based on its audited financial statements for the past three (3) FYEs 2019 to 2021 and unaudited FYE 2022 are as follows:

	Audited			**Unaudited**
	FYE 31 December			**FYE 31 December**
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	27,161	16,930	41,381	53,883
Gross profit	8,748	3,679	9,944	5,395
PBT	8,049	4,562	9,671	4,235
Taxation	(2,040)	(1,113)	(2,348)	(1,164)
Profit after tax	6,009	3,448	7,322	3,070
Gross margin	32.2%	21.7%	24.0%	10.0%
Net margin	22.1%	20.4%	17.7%	5.7%

In addition, CPMSB has an outstanding order book of RM167.95 million as at the LPD which provides earning visibility for the next 24 months. Following the completion of the Proposed Acquisition, this will potentially increase the Group's capacity to take on more projects and grow its order book, which in turn could lead to more revenue and profits in the future whilst simultaneously increasing its market share and competitiveness in the construction industry. Please refer to **Section 3.1 of Part A of the Circular** for more details on the outstanding order book of CPMSB.

We also note that the Proposed Acquisition represents a lower-risk investment for the Group as compared to an investment in a new business or external company, as CPMSB is already an ongoing entity generating its own cash flow and profits as well as an existing subsidiary of the Group that does not require additional costs for integration into the Group from an operational or administrative perspective. In addition, the management believes that CPMSB will continue to create synergies with the Group's existing business to help increase its market share and improve cost efficiency as the Group identified synergies between CPMSB's existing operations and the Group's existing business, particularly in the property development sector.

We note that a majority of the proceeds of the Proposed Private Placement is intended for the full settlement of the Proposed Acquisition. The Proposed Private Placement is undertaken as it represents an expeditious way of raising funds and also eliminates incurring of interest cost in the event the Proposed Acquisition were to be funded via conventional bank borrowings or other forms of fundraising such as rights issue which requires a longer timeframe to complete. We also note that the LAT incurred by LFE Group has resulted in the Group facing challenges in obtaining the conventional bank borrowings for investment in equity acquisitions. Although the Proposed Private Placement may result in a dilution in EPS/(LPS) following the increase in the number of shares in issue, the Company's enlarged capital base is expected to strengthen the financial position of the Group and improve its gearing level.

Premised on the above, we are of the opinion that the rationale for the Proposals is reasonable. Nevertheless, the non-interested shareholders of LFE should note that the potential benefits arising from the Proposals, are subject to certain risk factors as disclosed in Section 6 of Part A of the Circular.

8. EVALUATION OF THE PROPOSED ACQUISITION

8.1 Basis and justification for the Purchase Consideration

The basis and justification of arriving at the Purchase Consideration are set out in **Section 3.2 of Part A of the Circular**.

In establishing our opinion on the evaluation of the Purchase Consideration, we have considered various valuation methodologies, which are commonly used for the valuation of companies, taking into consideration CPMSB's future earnings generating capabilities, its sustainability as well as various business considerations and risk factors affecting its businesses.

In arriving at the fair equity value of CPMSB, we have considered the DCF method as the most appropriate valuation methodology as we noted CPMSB's financial performance has been consistent during the last three (3) FYEs. For more details on the financial performance of CPMSB, please refer to **Appendix IV of the Circular**. Further, based on the near and medium term outlook of the CPMSB's business which is supported by its order books, we are of the view that CPMSB is expected to have any consistent or predictable cashflow in the immediate term.

Further, we have also considered other valuation methodologies and are of the view that the following methodologies are not suitable in establishing our opinion on the fair equity value of CPMSB based on the following factors:

No.	Valuation methodology	Description
1	Comparable Transaction Analysis	Comparable Transaction Analysis is a valuation method whereby it seeks to compare a company's implied trading multiple against other recent comparable transactions undertaken by companies in the similar industry as CPMSB. We have considered and concluded that there are no recent comparable transactions involving companies involved in the similar business as CPMSB.
2	Revalued Net Asset Valuation	Revalued Net Asset Valuation method seeks to adjust the NA value of a company to take into consideration the valuation of assets of a company to determine the adjusted value of the firm's financial value. In view that CPMSB's underlying value is more likely to be derived from its future operations through the construction projects rather than its underlying assets, this method may not accurately reflect the potential of CPMSB.

The DCF Methodology is a valuation method used based on discounted cash flows, involving the application of an appropriately selected discount rate applied on the projected future cash flows to be earned by the equity holders of a company after all expenses, reinvestment and debt repayment. The cash flow used for the purposes of the DCF Methodology is derived from the Future Financials.

The key bases and assumptions adopted in the Future Financials are summarised in the table below.

Key Bases and Assumptions	MainStreet Comments
Revenues for FYEs 2023 and 2024 are based on the outstanding order book of CPMSB. Subsequently, revenue is projected to increase at 10.0% per annum.	We have assessed the outstanding order book of CPMSB via the verification of letter of awards secured by CPMSB, nothing has come to our attention that the revenue forecast for FYEs 2023 and 2024 is not reasonable. We note that CPMSB had registered revenue growth of 144% and 30% for the FYEs 2021 and 2022 respectively. In view of the above, we are of the view that the adoption of the revenue growth of 10.0% over the remaining forecast and projection period is reasonable as we agreeable with the management to adopt a more conservative revenue growth assumption in order to accommodate any potential volatile economic conditions that can affect the Group's business.
Gross profit margin is forecast and projected to be 10.0% over the forecast and projection period.	We note that CPMSB's gross profit margin ranges from 10.0% to 32.2% in the last four (4) FYEs. In view of the above, we are of the view that the adoption of the gross profit margin of 10.0% over the forecast and projection period is reasonable as it within the range of gross profit margins in the last four (4) FYEs. In addition, we are agreeable with the management to adopt a more conservative gross margin assumption in order to accommodate any potential volatile economic conditions that can affect the Group's business.
Net profit margin is forecast and projected to be in the range of 6.4% to 6.9% over the forecast and projection period.	We note that CPMSB's net profit margin ranges from 5.7% to 22.1% in the last four (4) FYEs. We note that the forecast and projected net profit margin of between 6.4% to 6.9% is within the range of net profit margins in the last four (4) FYEs.

Key Bases and Assumptions	MainStreet Comments
	Based on the above, coupled with the projected gross profit margin as discussed earlier, we are of the view that the net profit margin adopted is reasonable as we are agreeable with the management to adopt a more conservative net margin assumption in order to accommodate any potential volatile economic conditions that can affect the Group's business.

We have reviewed the Future Financials and the bases and assumptions used in its preparation and are of the opinion that they have been reasonably prepared on bases reflecting the best currently available estimates and judgement by the management of CPMSB and of which the management of CPMSB are solely responsible for. It should also be noted that our evaluation in itself is highly dependent on, amongst others, the achievability of the Future Financials as well as the materialisation of the bases and assumptions used therein. It is also based on prevailing economic, market and other conditions that may change significantly over a relatively short period of time.

In order to derive the equity value of CPMSB, we have first discounted the free cash flows to equity ("**FCFE**") projected to be generated from the business of CPMSB at an appropriate cost of equity to reflect the rate of return required by the providers of capital for the business.

Our valuation, together with the key bases and assumptions adopted, are as follows:

No.	Key bases and assumptions as at:		Descriptions
		31 December 2022	
1.	Cost of equity ("**K_e**")	10.9%	K_e = Cost of equity, which represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for CPMSB, we have adopted the CAPM and derived an estimated cost of equity with the following inputs: $K_e = R_f + \beta(R_m - R_f)$ The components of CAPM are explained in Items 2, 3 and 4 of this table.
2.	Risk-free return ("**R_f**")	4.1%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of ten (10)-year Malaysian Government Securities as extracted from the Bank Negara Malaysia website.

No.	Key bases and assumptions as at:		Descriptions
		31 December 2022	
3.	Expected market rate of return ("**R_m**")	9.4%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a ten (10)-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia for the past ten (10) years up to 31 December 2022.
4.	Beta ("**β**")	0.73	Beta captures the sensitivity of an asset's return relative to the market's return. A beta of more than +1 means the asset's return is riskier compared to the market and vice versa. In deriving the estimated beta of CPMSB, we have adopted the re-levered median of unlevered historical adjusted betas of the comparable companies for the past three (3) years. Relying on the three (3)-year historical beta of the peers is appropriate as it will capture the characteristics and risk profiles of the companies that are comparable to CPMSB today and adequately estimate the systematic risks (relying on the beta of a longer time period may include covering a time period where a peer may have materially different characteristics and risk profiles (e.g. due to, amongst others, being in a different industry life cycle, position in the value chain and/or different product mix) which would then declassify such peer from being comparable with CPMSB. As the historical adjusted beta extracted from the Bloomberg is based on the capital structure of the respective companies, we have unlevered the average historical adjusted beta and re-levered it based on the expected capital structure of CPMSB. There is no company listed on Bursa Securities which is identical to CPMSB. The details of the comparable companies that were selected are public listed companies in Malaysia that are engaged in the construction business and with a market capitalisation of not more than RM100 million as well as the input parameters for CAPM at 31 December 2022. The market capitalisation parameter of not more than RM100 million was determined based on the 100.0% equity value of CPMSB of RM60.0 million as implied by the Purchase Consideration.

No.	Key bases and assumptions as at:	31 December 2022	Descriptions
			The comparable companies identified together with their market capitalisation as at the LPD and their respective un-levered beta are as follows:

No	Company	Market capitalisation as at LPD (RM'000)	Un-levered beta (times)
(i)	Stella Holdings Berhad	60,970	0.46
(ii)	Tuju Setia Berhad	66,534	0.69
(iii)	Haily Group Berhad	74,894	0.64
(iv)	Siab Holdings Berhad	66,100	1.12
		Average un-levered beta	0.73

No.	Key bases and assumptions as at:	31 December 2022	Descriptions
5.	Perpetual growth rate ("**g**")	2.2%	Perpetual growth rate is the constant annual rate at which the FCFE is assumed to grow indefinitely beyond the forecast period of the Future Financials of CPMSB. We are of the view that the perpetual growth rate adopted in our model of 2.2% as reasonable as it is within the range of the following data points: (i) Forecast inflation rate of 2.9% for 2023 *(Source: International Monetary Fund)* (ii) Forecast headline inflation rate of between 2.2% and 3.2% for 2022 *(Source: Economic and Monetary Review 2021, Bank Negara Malaysia)*
6.	Fair value of CPMSB	Approximately RM77.3 million	The formula used to derive the fair value of CPMSB is as follows: Fair value of CPMSB = Present value of projected FCFE based on the Future Financials of CPMSB[(1)] + Present value of terminal value[(2)] *Notes:* *(1) Computed based on the following formula:* $\text{Present value of FCFE} = \frac{FCFE}{(1 + K_e)^n}$ *whereby, n represents time, in years into the future.* *(2) Computed based on the following formula:* $\text{Present value of terminal value} = \frac{\text{Expected sustainable level of FCFE} \times (1 + g)}{(K_e - g) \times (1 + K_e)^n}$ *whereby, n represents the last financial year of the Future Financials of CPMSB in which the expected sustainable level of FCFE is derived based on the expected cash flow to perpetuity.*

Based on the fair value of CPMSB above, we have then derived the equity value of its business as follows:

	31 December 2022	
	Low range RM'000	**High range RM'000**
Sum of present value of the FCFE	24,685	24,685
Present value of terminal value	52,633	52,633
Equity value of CPMSB	**77,318**	**77,318**
Illiquidity discount[(1)]	30.0%	20.0%
Equity value of CPMSB after illiquidity discount	**54,123**	**61,855**

Notes:

(1) Illiquidity discount is the discount applied to the valuation of an asset, as compensation for the reduced marketability As rule of thumb, an illiquidity discounts of 20% to 30% (as extracted from http://people.stern.nyu/adamodar/pdfiles/country /illiquidity.pdf) was applied for evaluation of equity interest in private companies to account for illiquidity and any unsystematic risks.

Premised on the above, the estimated equity value of CPMSB after illiquidity discount is between RM54.1 million and RM61.9 million. Based on the above analysis, it is noted that the Purchase Consideration is at a discount of approximately 3.00% of the high range of the equity value of CPMSB.

Furthermore, it is noted that the acquisition of 51.0% equity interest in CPMSB by LFE was announced in October 2020 and completed in May 2021 ("**51.0% Acquisition**"). The PE multiple for the Proposed Acquisition and 51.0% Acquisition as stated in **Section 3.2 of Part A of the Circular** and Section 3.2 of Part A of the 51.0% Acquisition Circular dated 18 January 2021 are presented below:

PE multiple for the Proposed Acquisition

	RM
Equity value of CPMSB as implied by the Purchase Consideration	60,000,000
Net profit of CPMSB for the FYE 31 December 2021	7,322,486
Total issued shares of CPMSB (units)	750,000
Purchase Consideration per CPMSB Share	80.00
EPS (Calculated based on the net profit of RM7.32 million per CPMSB Share)	9.76
PE (times)	**8.20**

PE multiple for the 51.0% Acquisition

	RM
Equity value of CPMSB as implied by the purchase consideration of RM27.54 million	54,000,000
Profit guarantee (assuming 100.0% equity value of CPMSB as implied by the profit guarantee provided by the Vendor for the FYE 31 December 2021)	6,000,000
Total issued shares of CPMSB (units)	750,000
Purchase consideration per CPMSB Share	72.00
EPS (Calculated based on the profit guarantee of RM6.00 million per CPMSB Share)	8.00
PE (times)	**9.00**

Despite the higher implied equity value of CPMSB adopted for the Proposed Acquisition as compared to the 51.0% Acquisition, the PE multiple for the Proposed Acquisition of 8.20 times is lower as compared to the PE multiple of 51.0% Acquisition of 9.00 times. This was mainly due to the financial performance for the FYE 31 December 2021 with a PAT of RM7.3 million which exceeded the profit guarantee provided by the Vendor amounting to RM6.0 million. We are of the view that the adoption of a higher equity value of CPMSB as the basis of its valuation for the Proposed Acquisition is **justifiable** as CPMSB is expected to generate higher earnings based on its current outstanding order book and the acquisition is expected to be earnings accretive to the enlarged LFE Group.

Premise on the above, we are of the opinion that the basis and justification for the Purchase Consideration are fair and reasonable as it falls within the range of the computed equity value based on the DCF Methodology. Nevertheless, non-interested shareholders of LFE should note that the potential benefits and financial returns are subject to certain risk factors as disclosed in Section 6 of Part A of the Circular.

8.2 Basis and justification for the Issue Price of the Consideration Shares

We note that the issue price of RM0.0972 per Consideration Share was determined by the Board on a willing-buyer willing-seller basis, after taking into consideration the prevailing market prices of LFE Shares for the past 12 months up to the LTD.

We noted LFE Group's financial performance of its key business segments, i.e. construction, mechanical and electrical as well as investment has been volatile in the last 3 FYEs. Based on the near and medium term outlook of the Group's construction, mechanical and electrical segment, we are of the view that all the Group's business segments are not expected to have any consistent or predictable cashflow in the immediate term. Therefore, we are unable to apply earnings-based valuation methodologies such as discounted cashflow based approach as a basis to determine the fair value of LFE Shares.

In evaluating the issue price of RM0.0972 per Consideration Share, we have considered the following:

(a) NA per LFE Share

The issue price of RM0.0972 per Consideration Share represents a RM0.0133 or 15.9% premium to the audited NA per LFE Share of RM0.0839 as at 31 December 2021, as illustrated in the table below:

	RM'000
Audited NA of LFE Group as at 31 December 2021	67,203
No. of LFE Shares (excluding treasury shares) ('000)	801,351
NA per LFE Share (RM)	0.0839
Issue price per Consideration Share (RM)	0.0972
Premium of issue price per Consideration Share to the NA per LFE Share	
- RM	0.0133
- %	15.9

(b) VWAP analysis

The issue price of RM0.0972 per Consideration Share represents the following discount to the following last transacted market price/VWAPs of LFE Shares:

	Adjusted VWAP[(1)]/ Closing price	Discount	
	RM	RM	%
Up to the LTD			
Last transacted market price as at the LTD	0.1050	0.0078	7.43
Five (5)-day	0.1080	0.0108	10.00
One (1)-month	0.1077	0.0105	9.75
Three (3)-month	0.1049	0.0077	7.34
Six (6)-month	0.1038	0.0066	6.36
One (1)-year	0.1138	0.0166	14.59

(Source: Bloomberg)

Based on the above table, we note that the issue price of the Consideration Share represents a discount ranging from RM0.0066 to RM0.0166 (6.36% to 14.59%) to the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAPs, and the last transacted market price of LFE Shares as at the LTD.

The issue price of RM0.0972 per Consideration Share is based on the market-based principles where the issue price takes into consideration the prevailing market prices of LFE Shares. We note that the issue price of RM0.0972 per Consideration Share at a discount of 10% to the 5-day VWAP of LFE Shares was determined on a willing-buyer and willing-seller basis between LFE and the Vendor. Despite the issue price of the Consideration Share being issued at a discount ranging from RM0.0066 to RM0.0166 (6.36% to 14.59%) to the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAPs of the LFE Shares up to the LTD, we are of the view that the issue price of the Consideration Shares is fair as the issue price of the Consideration Share represents a premium of RM0.0133 (15.9%) over the audited NA per LFE Share.

Premised on the above, we are of the opinion that the issue price of the Consideration Share is fair and reasonable. We also note that the issuance of the Consideration Shares is for the partial settlement of the Purchase Consideration and is not detrimental to the non-interested shareholders of LFE.

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8.3 Evaluation of the salient terms of the SSA as amended by the Supplemental SSA

We have reviewed the SSA and Supplemental SSA, which include its salient terms as set out in **Appendix II of the Circular**. Set out below are our comments on the pertinent salient terms of the SSA:

	Salient terms	MainStreet's comments
1	**SALES AND PURCHASE OF THE SALES SHARES** In consideration of the Purchase Consideration, which shall be satisfied by the payment of the Cash Consideration and the allotment and issuance of the Consideration Shares by LFE in favour of the Vendor pursuant to the terms and conditions of the SSA, the Vendor as legal and beneficial owner shall sell, and LFE relying on the Vendor's warranties shall purchase the Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the Completion Date upon the terms and subject to the conditions as set out in the SSA.	This term is reasonable as it sets out the obligations of LFE and the Vendor for both parties to complete the Proposed Acquisition. We note that there is no payment of deposit upon signing of SSA which is considered favourable to LFE. Please refer to Section 8.1 of this IAL for further evaluation on the Purchase Consideration.
2	**CONDITIONS PRECEDENT** The SSA and the completion of the SSA is conditional upon: i. LFE obtaining the approval of Bursa Securities for the listing of and quotation for the Consideration Shares and the Placement Shares on the Main Market of Bursa Securities; ii. LFE appointing an independent adviser in accordance with paragraph 10.08(2) of the Listing Requirements and forming an opinion that the Proposed Acquisition and the Proposed Private Placement are fair and reasonable; iii. LFE obtaining the approval of the non-interested board of directors and the non-interested shareholders of the Purchaser for the Proposed Acquisition and the Proposed Private Placement, including the waiver of the shareholders of their pre-emptive rights under Section 85(1) of the Companies Act to be offered new LFE Shares to be issued pursuant to the Proposed Acquisition and the Proposed Private Placement in accordance with the Purchaser's constitution, the Listing Requirements and the Act;	Conditions (i) to (iii) are reasonable and not detrimental to the interest of the Company as the relevant approvals are required to be in compliance with the Listing Requirements and the Companies Act.

	Salient terms	MainStreet's comments
	iv. the Subscription Agreements becoming unconditional save and except for any condition precedent therein requiring the SSA to become unconditional;	This condition is reasonable as the Proposed Acquisition and Proposed Private Placement are inter-conditional upon each other.
	v. LFE conducting or cause to be conducted due diligence on CPMSB and the results thereof are to the satisfaction of LFE;	This condition is reasonable as CPMSB will become a wholly owned subsidiary of LFE upon the completion of the Proposed Acquisition.
	vi. the Vendor depositing with the documentation stakeholder the following documents ("**Stakeholder Documents**"): a. the share certificates in respect of all the Sale Shares (if any); b. the instruments of transfer under Section 105 of the Act in respect of the Sale Shares duly executed by the Vendor as transferor in favour of LFE as transferee ("**Transfer**"); and	This condition is reasonable and protects the interest of the Company as it sets out the obligation of the Vendor in depositing the Stakeholder Documents.
	vii. the approvals, consents authorisations, permits or waivers of any other relevant governmental or regulatory body ("**Relevant Authorities**") necessary or appropriate to carry out the sale and purchase of the Sale Shares pursuant to the terms of the SSA having been obtained.	This condition is fair and reasonable, and not detrimental to the interest of the Company as it ensures the approvals from the relevant parties that are necessary for Proposed Acquisition to be in compliance with the applicable rules and regulations are obtained.
	Notwithstanding anything to the contrary, the conditions precedent shall be satisfied within 4 months from the date of the SSA with an automatic extension of a further 3 months if the conditions precedent shall not have been satisfied by the expiry of the aforesaid initial 4-month period ("**Cut-Off Date**"). Thereafter, LFE and the Vendor may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between them to comply with the conditions precedent. If the conditions precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between LFE and the Vendor, then either the Vendor or LFE shall be entitled to rescind the SSA by serving a written notice to the other party(ies) whereupon the Vendor shall return all Purchase Consideration so received (if any) free of interest within 14 business days from receipt of the termination notice (or if the Vendor serves the termination notice, then within 14 business days from the date of the termination notice) and thereafter the SSA shall lapse and cease to have any further force or effect.	
3	**COMPLETION**	

	Salient terms	MainStreet's comments
	Completion shall take place on the Completion Date, which is a day falling within 30 business days (means Monday to Friday, both day inclusive, excluding public holidays, and on which Bursa Securities is open for trading of securities) after the date the last of the conditions precedent of the SSA is satisfied or such other date as the parties to the SSA may agree in writing. Where the parties of the SSA are unable to agree on the Completion Date, the Completion Date shall fall on the 30th business day after the date the last of the conditions precedent is satisfied. Completion of the SSA shall be conditional upon: i. all the Sale Shares collectively being sold to LFE and that LFE and the Vendor performs all their respective obligations therein; ii. that LFE and the Vendor perform all their respective obligations herein (including but not limited to such obligations under section 3 of this Appendix II occurring post Completion Date) and that no breach of the SSA has occurred which has not been remedied or waived by the non-defaulting party; iii. the absence of injunctions or legal proceedings prohibiting the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the SSA; iv. the absence of any shares, stock, warrant, convertible notes or other securities in CPMSB which is to be issued or divested or which is under option or agreed to be under option save as contemplated in the SSA; and v. there being no circumstances which in the reasonable opinion of LFE to have any material adverse effect on CPMSB. At the Completion Date, the Vendor shall deliver or cause to be delivered to LFE: i. the resolution of the board of directors' resolution of CPMSB duly executed by the directors nominated by the Vendor approving the transfer and registration of the Sale Shares in favour of LFE subject only to the transfers having been duly stamped; ii. the Stakeholder Documents including the Transfer and notice of adjudication (if not already deposited with the Documentation Stakeholder) and such documents as may be	These terms are reasonable and serves to protect the interest of LFE and the Vendor as it sets out the obligations and repercussions of both parties in order to complete the Proposed Acquisition.

	Salient terms	MainStreet's comments
	required to give good title to the Sale Shares and to enable LFE to become the registered holder of the Sale Shares; iii. the certified true copies of the approvals or documents referred to in section 2(v) of this Appendix II, if any iv. resignation letter of all directors of CPMSB nominated by the Vendor confirming that there are no obligations and liabilities owing by CPMSB to them; v. if being held by the Vendor or its officers or shareholders: (a) all the statutory minutes and all other statutory books including, without limitation, the registers of CPMSB, its certificate of incorporation, common seal unless the same are held by the company secretary of CPMSB as at the Completion Date; (b) ledgers, journals, books of account and all other records belonging to CPMSB, including without limitations, cheque books, deposits books, bank statements and other banking records and books; (c) the statement of account for all bank accounts as at the latest practicable date prior to Completion Date; (d) financial, accounting, licenses and business records and all other books documents of CPMSB which are kept and maintained by CPMSB relating to its business, assets, liabilities and affairs; (e) valid licences, approvals, permits, authorisations, access cards and keys, bank account control and passwords; and (f) such other information and records of CPMSB required for its business and operations and the completion of the SSA and other agreements and/or documents of or relating to CPMSB. The Vendor hereby agrees and undertakes to forthwith do all acts and things so as to register LFE as a member of CPMSB in the register of members of CPMSB. Against the delivery of the documents set out above by the Vendor, LFE shall on Completion Date:	

	Salient terms	MainStreet's comments
	i. pay the Cash Consideration via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor; ii. allot and issue the remaining Consideration Shares directly into the CDS account of the Vendor; and iii. produce and deliver to the Vendor the certified copies of the approvals, shareholders resolutions and/or documents referred to in section 2(i), (ii), (iii), (vi) and if required (v) of this Appendix II above. Completion is conditional on the Vendor and LFE complying with all of their respective obligations under this section, including but not limited to such obligations occurring post Completion Date, and the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities. For this purpose, LFE shall cause the Consideration Shares to be listed and quoted on the Main Market of Bursa Securities within 10 business days from the Completion Date or such other extended period as the Parties may mutually agree upon in writing. If any party fails to comply with any of its obligations and those obligations are not waived by the other party on Completion and if the Consideration Shares have not yet been issued, then:- i. each party must return or cause to be returned to the other party all monies, Purchase Consideration and documents delivered to it or its agent under and pursuant to the SSA; and ii. each party must do everything reasonably required by the other party to reverse any action taken pursuant to the SSA.	
4	**BREACH / TERMINATION** If LFE shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/or breaches any of the terms and/or warranties in the SSA before the Completion Date, then the Vendor shall be entitled to either: i. claim for specific performance of the SSA as may be available under law; or	These terms are reasonable, wherein the events of default are set out to enable the non-defaulting party to take the appropriate actions to protect its interest pursuant to the SSA.

	Salient terms	MainStreet's comments
	ii. if prior to Completion Date, terminate the SSA by written notice to LFE and upon such termination, LFE shall be entitled to withhold and withdraw the issuance of any Consideration Shares and LFE shall pay to the Vendor all reasonable costs and expense incurred by the Vendor pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence (if any) and fulfilment of Conditions Precedent and any incidental costs thereto in exchange for which the Vendor shall return all Purchase Consideration so received (if any) free of interest within 14 business days from the receipt of the termination notice by LFE, after which the parties to the SSA shall have no other claims whatsoever against each other and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties. If the Vendor shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/or breaches any of the terms or warranties in the SSA, then LFE shall be entitled to either: i. claim for specific performance of the SSA as may be available under law; or ii. if prior to Completion Date, terminate the SSA by written notice to the Vendor and upon such termination, LFE shall be entitled to withhold and withdraw the issuance of any Consideration Shares and the Vendor shall pay to LFE all reasonable costs and expenses incurred by LFE pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence (if any) and fulfilment of Conditions Precedent and any incidental costs thereto as well as return all Purchase Consideration so received (if any) free of interest within 14 business days from the receipt of the termination notice from LFE, after which the parties to the SSA shall have no other claims whatsoever against each other and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties. If it is found after the Completion Date that a party to the SSA shall have breached his/its obligations under the SSA, the non-defaulting party(s) shall be entitled to claim for specific performance in addition to any other remedies as may be available to the non-defaulting party(s) under law and/or equity and the defaulting party(s) shall indemnify and hold the non-defaulting party(s) harmless against all costs, charges and expenses incurred or suffered by the non-defaulting party(s) arising from such breach.	

9. EVALUATION OF THE PROPOSED PRIVATE PLACEMENT

9.1 Basis and justification for the issue price of the Placement Shares

The details of the Proposed Private Placement are set out in **Section 2 of Part A of the Circular**.

The Proposed Private Placement would entail the issuance of approximately 30.0% of the total number of issued shares of LFE to Identified Investors at an issue price of RM0.0864 per Placement Share. In evaluating the issue price of RM0.0864 per Placement Share, we have considered the following:

(a) NA per LFE Share

The issue price of RM0.0864 per Placement Share represents a RM0.0025 or 2.9% premium to the audited NA per LFE Share of RM0.0839 as at 31 December 2021, as illustrated in the table below:

	RM'000
Audited NA of LFE Group as at 31 December 2021	67,203
No. of LFE Shares (excluding treasury shares) ('000)	801,351
NA per LFE Share (RM)	0.0839
Issue price per Placement Share (RM)	0.0864
Premium of issue price per Consideration Share to the NA per LFE Share	
- RM	0.0025
- %	2.9

(b) VWAP analysis

The issue price of RM0.0864 per Placement Share represents the following discount to the following last transacted market price/VWAPs of LFE Shares:

	Adjusted VWAP[1]/ Closing price	Discount	
	RM	RM	%
Up to the LTD			
Last transacted market price as at the LTD	0.1050	0.0186	17.71
Five (5)-day	0.1080	0.0216	20.00
One (1)-month	0.1077	0.0213	19.78
Three (3)-month	0.1049	0.0185	17.64
Six (6)-month	0.1038	0.0174	16.76
One (1)-year	0.1138	0.0274	24.08

(Source: Bloomberg)

Based on the above table, we note that the issue price of the Placement Share represents a discount ranging from RM0.0174 to RM0.0274 (16.76% to 24.08%) to the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAPs, and the last transacted market price of LFE Shares as at the LTD.

The issue price of RM0.0864 per Placement Share is based on the market-based principles where the issue price takes into consideration. The issue price of RM0.0864 per Placement Share under the Subscription Agreements was arrived at, between LFE and the Identified Investors, on a willing-buyer willing-seller basis, and after taking into consideration the prevailing market prices of LFE Shares and a discount of not more than 20% to the 5-day VWAP of LFE Shares up to and including LTD, of RM0.1080 per LFE Share. We are of the opinion that the five (5)-day and one (1)-month VWAPs would serve as a meaningful reference for our evaluation on the fairness of the issue price of the Placement Shares as these market prices reflects the most recent market transactions and market prices of LFE Shares. We are also of the view that this level of discount is common for placement exercises in order to entice investors to fully subscribe for the Placement Shares.

We note that the issue price for the Placement Shares which was agreed upon under the Subscription Agreements at a discount of not more than 20% to the five (5)-day VWAP of LFE Shares up to and including LTD is higher than the discount of 10% to the five (5)-day VWAP of LFE Shares up to and including LTD adopted for the issue price for the Consideration Shares (please refer to **Section 8.2 of this IAL** for more details on the basis and justification of the issue price of the Consideration Shares). We are of the view that this is **justifiable** as each issuance involves different parties and were determined through separate negotiations.

Premised on the above, we are of the opinion that the issue price of the Proposed Private Placement is fair and reasonable as it is based on market pricing principles. We also note that the proceeds from the Proposed Private Placement are raised mainly to finance the Proposed Acquisition and is not detrimental to the non-interested shareholders of LFE.

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9.2 Evaluation of the salient terms of the Subscription Agreements as amended by the Supplemental Subscription Agreements

We have reviewed the Subscription Agreements and Supplemental Subscription Agreements, which include its salient terms as set out in **Appendix I of the Circular**. Set out below are our comments on the pertinent salient terms of the Subscription Agreements:

	Salient terms	MainStreet's comments
1	**SUBSCRIPTION PRICE** Subject to the terms and conditions of the Subscription Agreements, LFE agrees to allot and issue to the Identified Investors and the Identified Investors agree to subscribe for the Placement Shares (in their respective allocations) at the Issue Price.	This term is reasonable as it sets out the obligations of LFE and the Identified investors for both parties to complete the Proposed Private Placement. Please refer to Section 9.1 of this IAL for further evaluation on the issue price of the Placement Shares.
2	**CONDITIONS PRECEDENT** Issuance and allotment of the Placement Shares are conditional on the following:- **i.** the Company appointing an independent adviser in accordance with paragraph 10.08(2) of the Listing Requirements and forming an opinion that the Proposed Acquisition and the Proposed Private Placement are fair and reasonable; ii. the Company obtaining the approval of the non-interested board of directors of the Company and the non-interested shareholders of the Company for the issue and allotment of the Placement Shares and the Proposed Acquisition including the waiver of the shareholders of their pre-emptive rights under Section 85(1) of the Companies Act to be offered new LFE Shares to be issued pursuant to the Proposed Acquisition and the Proposed Private Placement; iii. the Company obtaining the approval-in-principle of Bursa Securities for the listing of and quotation for the Placement Shares and the Consideration Shares on the Main Market of Bursa Securities; and	Conditions (i) to (iii) are reasonable and not detrimental to the interest of the Company as the relevant approvals are required to be in compliance with the Listing Requirements and the Companies Act.
	iv. the SSA becoming unconditional save and except for any condition precedent therein requiring the Subscription Agreements o become unconditional. The conditions precedent of the Subscription Agreements shall be satisfied within 4 months from the date of the Subscription Agreements with an automatic extension of a further 3 months if the conditions precedent shall not have been satisfied by the expiry of the aforesaid	This condition is reasonable as the Proposed Acquisition and Proposed Private Placement are inter-conditional upon each other.

	Salient terms	MainStreet's comments
	initial 4-month period ("**Placement Cut-Off Date**"). Thereafter, LFE and the Identified Investors may (before or on expiry of the Placement Cut-Off Date) have an extension(s) of time as may be agreed between LFE and the Identified Investors to comply with the conditions precedent of the Subscription Agreements. If the condition precedent of the Subscription Agreements has not been fulfilled on the expiry of the Placement Cut-Off Date or such extension of time agreed between LFE and the Identified Investor, and LFE does not waive the fulfilment of the same, then the Subscription Agreements shall lapse and cease to have any further force or effect and neither LFE nor the Identified Investors shall have any further rights against the other(s). The Subscription Agreements shall become unconditional on the date of which the last of the condition precedent for the Subscription Agreements is fulfilled or obtained ("**Unconditional Date**").	
3.	**COMPLETION AND PAYMENT** Within 5 business days from the Unconditional Date, the Identified Investors shall:- i. deposit with the placement agent, namely UOBKH, the total subscription price (based on their respective allocations) by way of telegraphic transfer to a bank account nominated by the placement agent and notified to LFE and the Identified Investor at least 5 business days prior to the date the payment for the total subscription price was made and placement agent shall confirm to LFE of such receipt within at least 5 business days of such receipt; and ii. notify LFE in writing of the details of the Identified Investor's stockbrokers and the particulars of the securities account into which the Placement Shares are to be credited. Upon the placement agent receiving the subscription price and within 5 business days from the payment for the subscription price was made:- i. LFE shall allot and issue the Placement Shares to the Identified Investors; ii. LFE shall deliver or caused to be delivered to Bursa Malaysia Depository Sdn Bhd the share certificates for the Placement Shares registered in the name of Bursa Malaysia Depository Sdn Bhd; and	These terms are reasonable and serves to protect the interest of LFE and the Identified Investors as it sets out the obligations of both parties in order to complete the Proposed Private Placement.

	Salient terms	MainStreet's comments
	iii. LFE shall instruct and procure Bursa Malaysia Depository Sdn Bhd to credit the securities account of the Identified Investors with the Placement Shares. Completion shall take place on the listing date of the Placement Shares on the Main Market of Bursa Securities, and on such event, the placement agent is authorised by LFE and the Identified Investors to release the total subscription price to LFE.	
4.	**DEFAULT** In the event the Identified Investors shall for any reason fail or refuse to complete the subscription of the Placement Shares under the terms of the Subscription Agreements or the Identified Investors fail to comply with all the obligations or stipulations contained or defaults in the Subscription Agreements and does not remedy the same to the satisfaction of LFE within 14 days from the date of receipt of written notice from LFE or such breach is not waived by LFE at its absolute discretion, LFE shall be entitled to, without prejudice to its other rights and remedies including its right to sue for (i) specific performance of the Subscription Agreements upon the terms in the Subscription Agreements as may be available under law; or (ii) terminate the Subscription Agreements and recover all amounts actually paid and expanded pursuant to or arising from the Subscription Agreements.	This term is reasonable, wherein the events of default are set out to enable the non-defaulting party to take the appropriate actions to protect its interest pursuant to the Subscription Agreements.

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10. EFFECTS OF THE PROPOSALS

We take cognisance of the effects of the Proposals as detailed out in **Section 7 of Part A of the Circular** and we set out below are our comments on the pro forma effects thereon.

10.1 Issued share capital and substantial shareholders' shareholdings

The pro forma effects of the Proposals on the issued share capital of LFE, as extracted from **Section 7.1 of Part A of the Circular**, are as follows:

	No. of Shares	RM
Issued share capital as at the LPD	801,351,235	107,712,234
Placement Shares to be issued pursuant to the Proposed Private Placement	240,405,370	20,771,024*1
	1,041,756,605	128,483,258
Consideration Shares to be issued pursuant to the Proposed Acquisition	66,872,427	6,500,000*2
Enlarged issued share capital	**1,108,629,032**	**134,983,258**

Notes:-

*1 *Computed based on the indicative issue price of RM0.0864 per Placement Share.*

*2 *Computed based on the issue price of RM0.0972 per Consideration Share.*

We note from **Section 7.3 of Part A of the Circular** that the Proposed Acquisition and the Proposed Private Placement will have a dilutive effect on the substantial shareholders' shareholdings in the Company pursuant to the issuance of Placement Shares and Consideration Shares.

10.2 Earnings and EPS

We note that the Proposed Acquisition and Proposed Private Placement will not influence the earnings and EPS of the LFE Group for the FYE 31 December 2022. However, due to the increase in the number of issued shares pursuant to the issuance of the Placement Share and Consideration Shares, the LFE Group will experience a dilutive effect on its earnings and EPS for the FYE 31 December 2023. On the other hand, the Proposed Acquisition is expected to contribute positively to the LFE Group's future earnings pursuant to the increase in equity interest held in CPMSB.

For illustrative purposes only, as extracted from **Section 7.5 of Part A of the Circular,** assuming that the Proposed Acquisition and the Proposed Private Placement had been effected on 1 January 2021 (being the beginning of the latest audited FYE 31 December 2021 of LFE), the pro forma effects of the Proposed Acquisition on the earnings and the EPS of LFE Group are as follows:-

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	Audited as at 31 December 2021 RM	I After the Proposed Private Placement RM	II After I and the Proposed Acquisition RM
LAT attributable to shareholders[*1]	(16,106,958)	(16,106,958)	(16,106,958)
Share of profit from 49% additional equity interest in CPMSB (attributable to shareholders) pursuant to the Proposed Acquisition[*2]	-	-	1,990,471
Total LAT	**(16,106,958)**	**(16,106,958)**	**(14,116,487)**
Number of Shares in issue (units)	801,351,235	1,041,756,605	1,108,629,032
LPS (sen)	(2.01)	(1.55)	(1.27)

Notes:-

[*1] *The LAT had included the recognition of 51% of CPMSB's PAT for the FYE 31 December 2021.*

[*2] *Based on the latest audited financial results of CPMSB for the FYE 31 December 2021, represented by 49% equity interest to be acquired by LFE.*

10.3 NA and gearing

For illustrative purposes only, as extracted from **Section 7.2 of Part A of the Circular**, the pro forma effects of the Proposed Acquisition on the NA per Share and gearing of LFE based on the latest audited consolidated statements of financial position for the FYE 31 December 2021 and on the assumption that the Proposed Acquisition and the Proposed Private Placement had been affected on that date are as follows:

	Audited as at 31 December 2021 RM	I After the Proposed Private Placement RM	II After I and the Proposed Acquisition RM
Share capital	107,712,234	128,483,258	134,983,258
Other reserves	21,336,665	21,336,665	21,336,665
Accumulated losses	(61,368,696)	(61,688,696)[*1]	(61,688,696)
Shareholders' fund/ NA	**67,680,203**	**88,131,227**	**94,631,227**
Non-controlling interest	6,272,096	6,272,096	96,386[*2]
Total equity	**73,952,299**	**94,403,323**	**94,727,613**
No. of Shares in issue (units)	801,351,235	1,041,756,605	1,108,629,032
NA per Share (RM)	0.08	0.08	0.09
Total borrowings (RM)	338,025	338,025	338,025
Gearing ratio (times)	-[*3]	-[*3]	-[*3]

Notes:-

[*1] *After deducting the estimated expenses of RM320,000 in relation to the Proposals.*

[*2] *After adjusting the non-controlling interests of CPMSB of RM6,175,170 pursuant to the Proposed Acquisition.*

[*3] *Negligible.*

The Proposed Acquisition is expected to contribute positively to the future earnings of LFE after taking into consideration the number of ongoing construction projects currently undertaken by CPMSB and the Company's increased equity interest in CPMSB. The Proposed Acquisition and Proposed Private Placement will increase LFE's NA from RM67.68 million to RM94.63 million whilst slightly increasing LFE's NA per Share from RM0.08 to RM0.09. We note that the Company does not have any borrowings as of the FYE 31 December 2021 and will therefore produce a negligible gearing ratio.

10.4 Public shareholding spread

We note from **Section 7.4 of Part A of the Circular** that the public shareholding spread of LFE is expected to marginally increase from 64.24% as at LPD to 65.28% after the completion of the Proposals. This will satisfy Paragraph 8.02(1) of the Listing Requirements as the Company's public shareholding spread is not expected to fall below 25% of its enlarged issued share capital.

10.5 Convertible securities

We note from **Section 7.6 of Part A of the Circular** that the Company does not have any convertible securities as at the LPD.

Premised on the above, we are of the view that the overall effects arising from the Proposals are reasonable and not detrimental to the non-interested shareholders of LFE.

11. ECONOMY OUTLOOK, INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The industry overview and outlook of the Malaysian economy, construction industry in Malaysia and prospects of CPMSB and the LFE Group are set out in **Section 5 of Part A of the Circular**.

11.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 1.9%). For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%).

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (3Q 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities. The manufacturing sector grew by 3.9% (3Q 2022: 13.2%). Despite experiencing slower global semiconductor sales, the E&E cluster remained in expansion amid fulfilment of existing backlog in orders. Meanwhile, the primary segment continued to grow driven by higher output at a major oil refinery in Johor which resumed operations in the previous quarter. Sustained production in the consumer segment was driven by the food and beverage segment ahead of the festive season, as well as the motor vehicle and transport equipment segment to meet backlog in orders. The construction sector expanded by 10.1% (3Q 2022: 15.3%). Of significance, civil engineering and non-residential subsectors were lifted by continued progress of large infrastructure, commercial and industrial projects.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 3.9% during the quarter (3Q 2022: 4.5%). As expected, the lower headline inflation was largely due to the lapse in the base effect of electricity inflation.3 The moderation was also amid the easing of key global commodity prices which partly led to lower inflation in some CPI items, including fuel. Inflation for some key staple food items, such as fresh meat and eggs, also moderated during the quarter. However, the downward impact was partly offset by strength in domestic demand. By components, the increase was driven mostly by core services4 and several discretionary spending categories.5 Correspondingly, price pressures remained pervasive during the quarter, although it has moderated. The share of CPI items recording monthly price increases remained above historical average (4Q 2022: 51.2%; 3Q 2022: 58.1%; 2011-2019 average: 45.6%).

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity. The balance of risks to Malaysia's growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, tighter financial conditions, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

(Source: Quarterly Bulletin Fourth Quarter 2022, Bank Negara Malaysia)

11.2 Overview of the construction industry in Malaysia

The value of work done in the Construction sector continued to increase by 15.7 per cent in the fourth quarter after expanding strongly by 23.2 per cent in the third quarter of 2022. The growth momentum in this quarter was driven by the double-digit growth in the Civil engineering sub-sector (20.8%); Non-Residential buildings (19.0%); and Special trade activities (12.7%). Meanwhile, the sub-sector of Residential buildings increased 5.3 per cent as compared to a year ago.

Out of RM32.0 billion of work done value recorded in the fourth quarter of 2022, RM12.1 billion or 37.9 per cent was in Civil engineering and followed by Non-residential buildings with a share of 30.1 per cent or amounted to RM9.6 billion. In the meantime, the work done value in Residential buildings and Special trade activities encompassing 21.8 per cent and 10.2 per cent respectively.

The private sector continued to provide the main impetus to the growth of the Construction sector in this quarter which augmented by 23.5 per cent (Q3 2022: 31.8%). The value of work done by the private sector amounted to RM20.0 billion or comprised 62.6 per cent of the total value of construction work done. Meanwhile, the public sector with a share of 37.4 per cent or equivalent to RM12.0 billion, grew by 4.7 per cent during the quarter (Q3 2022: 12.6%).

More than 60 per cent of the work done value in Q4 2022 was concentrated in Selangor which amounted to RM7.7 billion or 24.2 per cent; Wilayah Persekutuan (RM4.7 billion or 14.7%); Sarawak (RM3.7 billion or 11.7%); and Johor (RM3.4 billion or 10.7%).

Summarising the Construction sector performance for 2022, the Construction sector posted a rebound of 8.8 per cent in 2022 after two years in the declining trend. All sub-sectors picked up during the year with double-digit growth recorded in Special trade activities (19.6%); and Non-residential buildings (18.7%). In the meantime, the Civil Engineering and Residential buildings sub-sectors turned around to positive growth of 2.7 per cent and 3.4 per cent respectively. The total value of work done in construction in 2022 amounted to RM121.9 billion, however, it remained lower than the pre-pandemic period which was RM146.4 billion in 2019.

(Source: Quarterly Construction Statistics, Fourth Quarter 2022, Department of Statistics Malaysia)

11.3 Prospects of CPMSB and the LFE Group

We note that LFE's intention to acquire the remaining 49.0% equity interest in CPMSB stems from the successful incorporation of CPMSB into the LFE Group in 2021. In the FYE 2021 and FYE 2022, CPMSB contributed to 54.7% and 56.5% of the Group's revenue and has benefitted the Group through the exchange of technical expertise and resources, strengthening of the

Group's market presence in the construction sector whilst gaining access to an enlarged workforce, despite the challenges faced during the COVID-19 pandemic. As the LFE Group plans to pursue new opportunities and prospective acquisitions that will help grow the Group's construction services business, the Proposed Acquisition will allow the LFE Group to maximise its investment in a profit generating company with a healthy cash flow as its wholly owned subsidiary. By fully consolidating the earnings of CPMSB instead of pursuing a new investment, the Group will be able to mitigate additional integration costs as well as risks associated with the acquisition of a new business. With CPMSB's outstanding order book of approximately RM167.95 million as at the LPD, this gives the group earnings visibility for the next 24 months as stated in **Section 5.3 of Part A of the Circular**. The Board is of the view that the Proposed Acquisition will result in a positive contribution to the future profit attributable to the shareholders whilst giving the Group the opportunity to explore more substantial construction projects that differ from their existing portfolio, such as civil and/or infrastructure projects in the future.

We also note that the Malaysian economy and the construction sector in Malaysia is improving with the re-opening of economic activities and border as the country transitions to endemicity post COVID-19 pandemic. Premised to the above and based on the generally positive outlook on the continued growth in construction projects especially in the civil engineering, residential and non-residential buildings sub sector in which the LFE Group operates in, we are of the view that the overall prospects of CPMSB and the LFE Group following the completion of the Proposed Acquisition are favourable.

Nonetheless, we wish to highlight that all businesses are subject to uncertainties which are not within the Board's control such as, amongst others, changes in government policies, changes in interest rates, changes in global economic conditions and changes in the construction sector.

12. RISK FACTORS OF THE PROPOSED ACQUISITION

Section 6 of Part A of the Circular sets out the following risk factors of the Proposed Acquisition:

(i) Risks relating to the Proposed Acquisition such as completion risk and investment risk; and

(ii) Risks relating to the dependency and award of new contracts,

We wish to highlight that although efforts and measures would be taken by the Company to mitigate the risk associated with the Proposed Acquisition, no assurance can be given that one or a combination of risk factors will not occur and give rise to material and adverse impact on the business and operations of LFE, its competitiveness, financial performance, financial position or prospects thereon.

In evaluating the Proposed Acquisition, non-interested shareholders of LFE should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of LFE. Non-interested shareholders of LFE should also note that the risk factors mentioned therein are not meant to be exhaustive.

Notwithstanding, the above risk factors, we believe the rationale and benefits of the Proposed Acquisition as disclosed in **Section 4 of Part A of the Circular**, outweigh the potential risks highlighted above. In addition, certain risk factors inherent in the construction industry are risk factors which LFE is currently subjected to as they already own 51% equity interest in CPMSB. In this regard, the business risk profile of LFE will not change significantly upon completion of the Proposed Acquisition.

13. CONCLUSION AND RECOMMENDATION

In arriving at our conclusions and recommendation, we have considered the following factors, which the non-interested shareholders of LFE should consider in evaluating the Proposals as summarised below:

(i) The rationale and benefits for the Proposals are reasonable and not detrimental to the non-interested shareholders of LFE;

(ii) The Purchase Consideration is fair and reasonable and not detrimental to the non-interested shareholders of LFE;

(iii) The salient terms of the Subscription Agreements and the SSA (as amended by their respective supplemental agreements) are reasonable and not detrimental to the non-interested shareholders of LFE;

(iv) The financial effects of the Proposals are reasonable and not detrimental to the non-interested shareholders of LFE;

(v) The prospects of CPMSB and the LFE Group are positive; and

(vi) The business risk profile of LFE will not change significantly upon completion of the Proposed Acquisition.

Premised on the factors discussed above and our evaluation of the Proposals based on the information made available to us, we are of the view that the Proposals are **fair** and **reasonable** and **not detrimental** to the non-interested shareholders of LFE.

Accordingly, we recommend that you **vote in favour** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders of LFE. We recommend that any non-interested shareholders of LFE who require specific advice in relation to the Proposals in the context of their individual investment objectives, financial situation or particular needs, to consult their respective stockbrokers, investment advisers, accountants, solicitors or other professional advisers.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

Yours faithfully,
MAINSTREET ADVISERS SDN BHD

Lai Swee Sim
Managing Director

Goh Chin Chai
Head, Corporate Finance

The salient terms of the Subscription Agreements are identical, save for the allocation of Placement Shares and total subscription price arising therefrom to be subscribed by the respective Identified Investors.

1. Subscription Price

Subject to the terms and conditions of the Subscription Agreements, LFE agrees to allot and issue to the Identified Investors and the Identified Investors agree to subscribe for the Placement Shares (in their respective allocations) at the Issue Price.

2. Conditions Precedent

Issuance and allotment of the Placement Shares are conditional on the following:-

i. LFE appointing an independent adviser in accordance with Paragraph 10.08(2) of the Listing Requirements and forming an opinion that the Proposed Acquisition and the Proposed Private Placement is fair and reasonable;

ii. LFE obtaining the approval of its non-interested board of directors and its non-interested shareholders for the issuance and allotment of the Placement Shares and the Proposed Acquisition including the waiver of the shareholders of LFE of their pre-emptive rights under Section 85(1) of the Act to be offered new LFE Shares to be issued pursuant to the Proposed Acquisition and the Proposed Private Placement;

iii. LFE obtaining the approval-in-principle of Bursa Securities for the listing of and quotation for the Placement Shares and the Consideration Shares on the Main Market of Bursa Securities; and

iv. the SSA becoming unconditional save and except for any condition precedent therein requiring the Subscription Agreements to become unconditional.

The conditions precedent of the Subscription Agreements shall be satisfied within 4 months from the date of the Subscription Agreements with an automatic extension of a further 3 months if the conditions precedent shall not have been satisfied by the expiry of the aforesaid initial 4-month period ("**Placement Cut-Off Date**"). Thereafter, LFE and the Identified Investors may (before or on expiry of the Placement Cut-Off Date) have an extension(s) of time as may be agreed between LFE and the Identified Investors to comply with the conditions precedent of the Subscription Agreements. If the condition precedent of the Subscription Agreements has not been fulfilled on the expiry of the Placement Cut-Off Date or such extension of time agreed between LFE and the Identified Investor, and LFE does not waive the fulfilment of the same, then the Subscription Agreements shall lapse and cease to have any further force or effect and neither LFE nor the Identified Investors shall have any further rights against the other(s).

The Subscription Agreements shall become unconditional on the date of which the last of the condition precedent for the Subscription Agreements is fulfilled or obtained ("**Unconditional Date**").

3. Completion and payment

Within 5 business days from the Unconditional Date, the Identified Investors shall:-

i. deposit with the placement agent, namely UOBKH, the total subscription price (based on their respective allocations) by way of telegraphic transfer to a bank account nominated by the placement agent and notified to LFE and the Identified Investor at least 5 business days prior to the date the payment for the total subscription price was made and placement agent shall confirm to LFE of such receipt within at least 5 business days of such receipt; and

ii. notify LFE in writing of the details of the Identified Investor's stockbrokers and the particulars of the securities account into which the Placement Shares are to be credited.

Upon the placement agent receiving the subscription price and within 5 business days from the payment for the subscription price was made:-

i. LFE shall allot and issue the Placement Shares to the Identified Investors;

ii. LFE shall deliver or caused to be delivered to Bursa Malaysia Depository Sdn Bhd the share certificates for the Placement Shares registered in the name of Bursa Malaysia Depository Sdn Bhd; and

iii. LFE shall instruct and procure Bursa Malaysia Depository Sdn Bhd to credit the securities account of the Identified Investors with the Placement Shares.

Completion shall take place on the listing date of the Placement Shares on the Main Market of Bursa Securities, and on such event, the placement agent is authorised by LFE and the Identified Investors to release the total subscription price to LFE.

4. Default

In the event the Identified Investors shall for any reason fail or refuse to complete the subscription of the Placement Shares under the terms of the Subscription Agreements or the Identified Investors fail to comply with all the obligations or stipulations contained or defaults in the Subscription Agreements and does not remedy the same to the satisfaction of LFE within 14 days from the date of receipt of written notice from LFE or such breach is not waived by LFE at its absolute discretion, LFE shall be entitled to, without prejudice to its other rights and remedies including its right to sue for (i) specific performance of the Subscription Agreements upon the terms in the Subscription Agreements as may be available under law; or (ii) terminate the Subscription Agreements and recover all amounts actually paid and expanded pursuant to or arising from the Subscription Agreements.

APPENDIX II – SALIENT TERMS OF THE SSA AS AMENDED BY THE SUPPLEMENTAL SSA

The salient terms of the SSA are as follows:-

1. Sale and Purchase of the Sale Shares

In consideration of the Purchase Consideration, which shall be satisfied by the payment of the Cash Consideration and the allotment and issuance of the Consideration Shares by LFE in favour of the Vendor pursuant to the terms and conditions of the SSA, the Vendor as legal and beneficial owner shall sell, and LFE relying on the Vendor's warranties shall purchase the Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the Completion Date upon the terms and subject to the conditions as set out in the SSA.

2. Conditions precedent

The SSA and the completion of the SSA is conditional upon:

i. LFE obtaining the approval of Bursa Securities for the listing of and quotation for the Consideration Shares and the Placement Shares on the Main Market of Bursa Securities;

ii. LFE appointing an independent adviser in accordance with Paragraph 10.08(2) of the Listing Requirements and forming an opinion that the Proposed Acquisition and the Proposed Private Placement is fair and reasonable;

iii. LFE obtaining the approval of the non-interested board of directors and the non-interested shareholders of LFE for the Proposed Acquisition and the Proposed Private Placement, including the waiver of the shareholders of their pre-emptive rights under Section 85(1) of the Act to be offered new LFE Shares to be issued pursuant to the Proposed Acquisition and the Proposed Private Placement in accordance with the LFE's constitution, the Listing Requirements and the Act;

iv. the Subscription Agreements becoming unconditional save and except for any condition precedent therein requiring the SSA to become unconditional;

v. LFE conducting or cause to be conducted due diligence on CPMSB and the results thereof are to the satisfaction of LFE;

vi. the Vendor depositing with the documentation stakeholder the following documents ("**Stakeholder Documents**"):

   a. the share certificates in respect of all the Sale Shares (if any);

   b. the instruments of transfer under Section 105 of the Act in respect of the Sale Shares duly executed by the Vendor as transferor in favour of LFE as transferee ("**Transfer**"); and

vii. the approvals, consents authorisations, permits or waivers of any other relevant governmental or regulatory body ("**Relevant Authorities**") necessary or appropriate to carry out the sale and purchase of the Sale Shares pursuant to the terms of the SSA having been obtained.

Notwithstanding anything to the contrary, the conditions precedent shall be satisfied within 4 months from the date of the SSA with an automatic extension of a further 3 months if the conditions precedent shall not have been satisfied by the expiry of the aforesaid initial 4-month period ("**Cut-Off Date**"). Thereafter, LFE and the Vendor may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between them to comply with the conditions precedent. If the conditions precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between LFE and the Vendor, then either the Vendor or LFE shall be entitled to rescind the SSA by serving a written notice to the other party(ies) whereupon the Vendor shall return all Purchase Consideration so received (if any) free of interest within 14 business days from receipt of the termination notice (or if the Vendor serves the termination notice, then within 14 business days from the date of the termination notice) and thereafter the SSA shall lapse and cease to have any further force or effect.

3. Completion

Completion shall take place on the Completion Date, which is a day falling within 30 business days (means Monday to Friday, both day inclusive, excluding public holidays, and on which Bursa Securities is open for trading of securities) after the date the last of the conditions precedent of the SSA is satisfied or such other date as the parties to the SSA may agree in writing. Where the parties of the SSA are unable to agree on the Completion Date, the Completion Date shall fall on the 30th business day after the date the last of the conditions precedent is satisfied.

Completion of the SSA shall be conditional upon:

i. all the Sale Shares collectively being sold to LFE and that LFE and the Vendor performs all their respective obligations therein;

ii. that LFE and the Vendor perform all their respective obligations herein (including but not limited to such obligations under section 3 of this Appendix II occurring post Completion Date) and that no breach of the SSA has occurred which has not been remedied or waived by the non-defaulting party;

iii. the absence of injunctions or legal proceedings prohibiting the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the SSA;

iv. the absence of any shares, stock, warrant, convertible notes or other securities in CPMSB which is to be issued or divested or which is under option or agreed to be under option save as contemplated in the SSA; and

v. there being no circumstances which in the reasonable opinion of LFE to have any material adverse effect on CPMSB.

At the Completion Date, the Vendor shall deliver or cause to be delivered to LFE:

i. the resolution of the board of directors' resolution of CPMSB duly executed by the directors nominated by the Vendor approving the transfer and registration of the Sale Shares in favour of LFE subject only to the transfers having been duly stamped;

ii. the Stakeholder Documents including the Transfer and notice of adjudication (if not already deposited with the Documentation Stakeholder) and such documents as may be required to give good title to the Sale Shares and to enable LFE to become the registered holder of the Sale Shares; and

iii. the certified true copies of the approvals or documents referred to in section 2(vii) of this Appendix II, if any;

iv. resignation letter of all directors of CPMSB nominated by the Vendor confirming that there are no obligations and liabilities owing by CPMSB to them;

v. if being held by the Vendor or its officers or shareholders:

(a) all the statutory minutes and all other statutory books including, without limitation, the registers of CPMSB, its certificate of incorporation, common seal unless the same are held by the company secretary of CPMSB as at the Completion Date;

(b) ledgers, journals, books of account and all other records belonging to CPMSB, including without limitations, cheque books, deposits books, bank statements and other banking records and books;

(c) the statement of account for all bank accounts as at the latest practicable date prior to Completion Date;

(d) financial, accounting, licenses and business records and all other books documents of CPMSB which are kept and maintained by CPMSB relating to its business, assets, liabilities and affairs;

(e) valid licences, approvals, permits, authorisations, access cards and keys, bank account control and passwords; and

(f) such other information and records of CPMSB required for its business and operations and the completion of the SSA and other agreements and/or documents of or relating to CPMSB.

The Vendor hereby agrees and undertakes to forthwith do all acts and things so as to register LFE as a member of CPMSB in the register of members of CPMSB.

Against the delivery of the documents set out above by the Vendor, LFE shall on Completion Date:

i. pay the Cash Consideration via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor;

ii. allot and issue the remaining Consideration Shares directly into the CDS account of the Vendor; and

iii. produce and deliver to the Vendor the certified copies of the approvals, shareholders resolutions and/or documents referred to in section 2(i), (ii), (iii), (iv) and if required (vii) of this Appendix II above.

Completion is conditional on the Vendor and LFE complying with all of their respective obligations under this section, including but not limited to such obligations occurring post Completion Date, and the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities. For this purpose, LFE shall cause the Consideration Shares to be listed and quoted on the Main Market of Bursa Securities within 10 business days from the Completion Date or such other extended period as the Parties may mutually agree upon in writing.

If any party fails to comply with any of its obligations and those obligations are not waived by the other party on Completion and if the Consideration Shares have not yet been issued, then:-

i. each party must return or cause to be returned to the other party all monies, Purchase Consideration and documents delivered to it or its agent under and pursuant to the SSA; and

ii. each party must do everything reasonably required by the other party to reverse any action taken pursuant to the SSA.

4. Breach/ Termination

If LFE shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/or breaches any of the terms and/or warranties in the SSA before the Completion Date, then the Vendor shall be entitled to either:

i. claim for specific performance of the SSA as may be available under law; or

ii. if prior to Completion Date, terminate the SSA by written notice to LFE and upon such termination, LFE shall be entitled to withhold and withdraw the issuance of any Consideration Shares and LFE shall pay to the Vendor all reasonable costs and expense incurred by the Vendor pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence (if any) and fulfilment of Conditions Precedent and any incidental costs thereto in exchange for which the Vendor shall return all Purchase Consideration so received (if any) free of interest within 14 business days from the receipt of the termination notice by LFE, after which the parties to the SSA shall have no other claims whatsoever against each other and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties.

If the Vendor shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/or breaches any of the terms or warranties in the SSA, then LFE shall be entitled to either:

i. claim for specific performance of the SSA as may be available under law; or

ii. if prior to Completion Date, terminate the SSA by written notice to the Vendor and upon such termination, LFE shall be entitled to withhold and withdraw the issuance of any Consideration Shares and the Vendor shall pay to LFE all reasonable costs and expenses incurred by LFE pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence (if any) and fulfilment of Conditions Precedent and any incidental costs thereto as well as return all Purchase Consideration so received (if any) free of interest within 14 business days from the receipt of the termination notice from LFE, after which the parties to the SSA shall have no other claims whatsoever against each other and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties.

If it is found after the Completion Date that a party to the SSA shall have breached his/its obligations under the SSA, the non-defaulting party(s) shall be entitled to claim for specific performance in addition to any other remedies as may be available to the non-defaulting party(s) under law and/or equity and the defaulting party(s) shall indemnify and hold the non-defaulting party(s) harmless against all costs, charges and expenses incurred or suffered by the non-defaulting party(s) arising from such breach.

1. Financial performance and financial position of LFE

The audited financial information of LFE Group for the past 4 financial years up to the FYE 31 December 2022 is set out below:-

	<--------Audited FYE 31 December		---------->	Unaudited FYE 31 December
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	18,856	13,429	32,875	73,227
GP	4,294	2,020	6,645	7,576
PBT/ (LBT)	117	(1,719)	(12,846)	3,128
PAT/ (LAT)	117	(1,719)	(14,120)	1,884
GP margin (%)	22.77	15.03	20.21	10.35
PBT margin (%)	0.62	-	-	4.27
PAT margin (%)	0.62	-	-	2.57
EPS/ (LPS) (sen)	0.06	(0.77)	(2.64)	0.06
Current asset	27,275	28,388	67,936	95,634
Current liabilities	19,496	12,916	18,547	44,328
NA	34,491	37,044	67,680	68,202
Cash and cash equivalents	621	1,594	22,571	12,109
Total borrowings	-	-	338	217
Total issued shares (units)	204,403	245,284	801,351	801,351
Current ratio (times)	1.40	2.20	3.66	2.16
NA per share	0.17	0.15	0.08	0.09
Gearing (times)	-	-	neg.	neg.

FYE 31 December 2020 vs FYE 31 December 2019

The revenue of the Group for the FYE 31 December 2020 decreased by RM5.43 million or 28.79% to RM13.43 million as compared to the FYE 31 December 2019 of RM18.86 million. The decrease was mainly due to delays in the progress of construction projects as the Group's operations were temporarily halted by the MCO.

The Group recorded LBT of RM1.72 million for the FYE 31 December 2020 as compared to the preceding financial year PBT of RM0.12 million. The LBT incurred was in conjunction with the decrease in revenue coupled with higher operating expenses to comply with the standard operating procedures imposed by the Malaysian Government.

FYE 31 December 2021 vs FYE 31 December 2020

The revenue of the Group for the FYE 31 December 2021 increased by RM19.45 million or 144.48% to RM32.88 million as compared to the FYE 31 December 2020 of RM13.43 million. The increase was mainly contributed by the consolidation of CPMSB's revenue following the completion of the initial acquisition in May 2021.

Despite the increase in revenue, the Group recorded LBT of RM12.85 million for the FYE 31 December 2021, representing an increase of RM11.13 million or 647.09% as compared to the preceding financial year LBT of RM1.72 million. The increase was mainly due to one-off impairment of overdue account receivables and contract assets amounting to RM6.80 million and RM5.20 million respectively.

FYE 31 December 2022 vs FYE 31 December 2021

The revenue of the Group for the FYE 31 December 2022 increased by RM40.35 million or 122.72% to RM73.23 million as compared to the FYE 31 December 2021 of RM32.88 million. The increase was mainly due to the completion of AraTre' Residence project and higher progress billings from the Aman Laut project and Gurun East Phase 2 project.

The Group recorded PBT of RM3.13 million for the FYE 31 December 2022 as compared to the preceding corresponding financial year LBT of RM12.85 million, which was in line with the higher revenue recorded.

2. Value creation and impact of the Proposals to the Group and its shareholders

As highlighted in **Section 2.7** of this Circular, the Proposed Private Placement is expected to raise up to RM20.77 million. The Proposed Private Placement is undertaken with the intention to raise funds in an expeditious manner for the partial settlement of the Purchase Consideration for the Proposed Acquisition. This would enable the Group to reduce reliance on conventional bank borrowings to meet its funding objectives.

Upon completion of the Proposed Acquisition, CPMSB will become a wholly-owned subsidiary of LFE and the anticipated profits to be generated from the provision of C&S and M&E works in the construction industry will be fully consolidated into the Group. Post-completion of the Proposed Acquisition, it will directly provide a positive impact to the Group's financial result given that all revenue incurred from the on-going projects will be recognised in full. Furthermore, the Group may explore other construction projects, which are of larger scale development for instance, the construction of civil and/ or infrastructure in nature.

As set out in **Section 7** of this Circular, the Proposals are expected to enlarge the share capital of the Company and consolidated NA of the Group by RM26.95 million upon the issuance of the Placement Shares and Consideration Shares. Further, the Group's increased equity interest in CPMSB pursuant to the Proposed Acquisition is expected to contribute positively to the Group's future earnings attributable to shareholders. However, the shareholdings of existing shareholders in the Company, as well as the EPS of the Group are expected to be diluted as a results of the increase in the number of LFE Shares in issue.

The outstanding order book of CPMSB stood at approximately RM167.95 million as at the LPD from the on-going construction projects, which provides earnings visibility for the next 12 months.

3. Adequacy of the Proposals in addressing the Group's financial concerns

At this juncture, the Board is of the view that the primary financial concern of LFE Group is the funding requirements for the partial settlement of the Purchase Consideration for the Proposed Acquisition. Accordingly, the proceeds raised from the Proposed Private Placement is expected to reduce the Group's reliance on bank borrowings to fund the Proposed Acquisition so as to not incur additional interest costs or service additional principal payments which may affect its financial performance moving forward.

Further, the Proposed Acquisition is undertaken with the intention to increase LFE Group's revenue and earnings base by acquiring the remaining shares not held by the Company in an existing subsidiary and the proceeds raised from the Proposed Private Placement will be used to partially fund the payment of the Cash Consideration while a portion of the Purchase Consideration will be satisfied via the issuance of the Consideration Shares to reduce the strain on LFE Group's cash flow.

In an effort to turn around its core business segment (i.e. construction), the Group has embarked on cost cutting measures, such as prudent cash flow management, optimisation of current human resources, recruitment of additional staff only when required and enhancement of management expertise to refine its operational efficiency. The Group also strives to strengthen and sustain economic performance into the future via the Proposed Acquisition. In short-medium term, LFE Group has successfully secured sufficient order book for the next 12 months.

As part of the Board's strategy to expand LFE Group's earning base, the Group had in 2021 completed its diversification into property development, together with the procurement of joint venture development agreements to develop and build terrace houses in Kedah. Premised on the successful completion of this project, the Group intends to embark on additional viable ventures relating to property development to further improve its financial performance in the future.

In view of the above, the Board is currently not considering any other corporate exercises to address the Group's financial concern. Nevertheless, the Board will monitor closely the expansion and performance of the Company, and should the need arise, to expand its pool of resources and/ or to undertake future corporate exercises should the opportunity/ need arise.

1. HISTORY AND BUSINESS

CPMSB was incorporated in Malaysia on 3 September 2010 as a private limited company under the Companies Act 1965 and is deemed registered under the Act and commenced its business since incorporation. CPMSB mainly specializes in the following:-

Business activity	Description	Scope of work
Provision of C&S works	Construction of real estate buildings (e.g. hotels, residential, high-rise buildings, mixed development)	Subcontractor - responsible for the entire spectrum of a construction project which include amongst others, procurement of raw materials, supply of equipment and provision of labour
Provision of M&E works	Installation of mechanical systems such as air conditioners, plumbing as well as electrical systems	Subcontractor - responsible for the design and solution of M&E works and installation of mechanical systems

For shareholders' information, CPMSB is usually appointed as the subcontractor to undertake C&S and M&E works of a particular construction project. For information purposes, the revenue recorded by CPMSB for the latest audited FYE 31 December 2021 were derived from the following projects:-

Name of project/ Location	Project owner	Description	Scope of work	Commencement date/ Completion date	Total contract value RM'000
AraTre' Residences/ Ara Damansara, Selangor	Puncakdana Sdn Bhd	Completion of a 9 storey podium and a 20 storey service apartment	• Subcontractor for C&S works	June 2020/ September 2022	47,707
			• Architectural Work for tower		22,319
Total					**70,026**

The outstanding order book of CPMSB as at the LPD is set out as follows:-

Name of project/ Location	Project owner	Description	Scope of work	Commencement date/ Completion date	Total contract value RM'000	Outstanding order book RM'000
Myara Park/ Ara Damansara, Selangor	PD Ara Sdn Bhd	Completion of a 18 storey service apartment and a 11 storey SOHO	Main Contractor	December 2021/ December 2024	90,000	71,270
Taman Residensi Mesra (Phase 2)/ Gurun, Kedah	LFE Development Sdn Bhd	274 units of single storey house and 64 units of double storey house	Main Contractor	April 2022/ December 2023	30,218	18,558
Aman Laut (Phase 1)/ Kuala Kedah, Kedah	Property Builder (Kuala Kedah) Sdn Bhd	Mixed-residential project/ 456 units of service apartments and 87 units of shop offices	Subcontractor for C&S and M&E works	September 2020/ June 2023	88,836	78,125
Total					**209,054**	**167,953**

As illustrated above, CPMSB has a total of 3 on-going projects with a total estimated contract value of RM209.05 million and an estimated outstanding order book of RM167.95 million which provides earnings visibility for the next 12 months

The management of CPMSB confirms that the past and current projects disclosed above are not related to the directors and/ or substantial shareholder of CPMSB and/ or persons connected to them, save for (i) Myara Park in which the Company's substantial shareholder, Ng Kok Kheng is also a director and shareholder of PD Ara Sdn Bhd and (ii) Taman Residensi Mesra (Phase 2) which is an intercompany transaction between two subsidiaries (i.e. CPMSB and LFE Development Sdn Bhd) of LFE.

2. DIRECTORS AND SHAREHOLDERS

The details of the directors and shareholders of CPMSB and their respective direct shareholdings as at the LPD are as follows:-

Name	Designation	Country of incorporation/ Nationality	No. of CPMSB Shares	%
Kharrul Azmi bin Mat Nawi	Director	Malaysian	-	-
Goh Chee Hoe	Director	Malaysian	-	-
Liew Kiam Woon	Director	Malaysian	-	-
LFE	Shareholder	Malaysia	382,500	51.0
Vendor	Shareholder	Malaysia	367,500	49.0

3. ISSUED SHARE CAPITAL AND CONVERTIBLE SECURITIES

As at the LPD, the issued share capital of CPMSB is RM750,000 comprising 750,000 CPMSB Shares. It does not have any convertible securities.

4. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, CPMSB does not have any subsidiary or associate company.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, CPMSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board directors of CPMSB is not aware and has no knowledge of any proceedings pending or threatened against CPMSB, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of CPMSB.

6. MATERIAL CONTRACTS

CPMSB has not entered into any material contracts (not being contract entered into the ordinary course of business) within the past 2 years immediately preceding the LPD.

7. MATERIAL COMMITMENTS

As at the LPD, the board of directors of CPMSB is not aware of any material commitments incurred or known to be incurred by CPMSB which, upon becoming enforceable, may have a material impact on the financial results or position of CPMSB.

8. CONTINGENT LIABILITIES

As at the LPD, the board of directors of of CPMSB is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results or position of of CPMSB.

9. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of CPMSB for the past 4 financial years up to the FYE 31 December 2022 is set out below:-

	<---------Audited FYE 31 December--------->			Unaudited FYE 31 December
	2019	**2020**	**2021**	**2022**
	RM	**RM**	**RM**	**RM**
		Restated*1		
Revenue	27,161,280	16,930,426	41,380,656	53,883,482
Cost of sales	(18,413,525)	(11,929,735)	(31,436,962)	(48,488,136)
GP	**8,747,755**	**5,000,691**	**9,943,694**	**5,395,347**

	<---------Audited FYE 31 December---------> 2019 RM	2020 RM Restated[*1]	2021 RM	Unaudited FYE 31 December 2022 RM
Other operating income	63,857	262,382	87,619	-
Administrative expenses	(3,297)	(522,549)	(247,570)	(1,148,374)
Other operating expenses	(417,524)	-	-	-
Finance costs	(342,214)	(178,913)	(113,143)	(12,409)
PBT	**8,048,577**	**4,561,611**	**9,670,600**	**4,234,563**
Taxation	(2,039,720)	(1,113,149)	(2,348,114)	(1,016,295)
PAT	**6,008,857**	**3,448,462**	**7,322,486**	**3,070,465**
GP margin (%)	32.21	29.54	24.03	10.01
PBT margin (%)	29.41	26.94	23.37	7.86
PAT margin (%)	21.91	20.37	17.70	5.70
EPS	8.01	4.60	9.76	4.09
Current asset	52,501,536	19,289,373	26,731,751	37,845,034
Current liabilities	36,561,909	14,109,099	14,218,297	22,268,316
Total equity/ NA	16,053,384[*1]	5,281,004	12,603,490	15,673,954
Cash and cash equivalents	294,864	55,561	961,167	3,166,998
Total borrowings	4,791,477	3,710,322	338,025	227,650
Dividend declared for the financial year	-	14,220,842	-	-
Total issued shares (units)	750,000	750,000	750,000	750,000
Current ratio (times)	1.44	1.37	1.88	1.70
NA per share	21.40	7.04	16.80	20.90
Gearing (times)	0.30	0.70	0.03	0.01

Note:-

*[*1] Restated to reflect the transition from MPERS to MFRS starting from 1 January 2020.*

For the past 4 financial years up to the FYE 31 December 2022:-

- there were no exceptional or extraordinary item;
- there were no accounting policies adopted by CPMSB that are peculiar to CPMSB due to the nature of its business of the industry it operates in; and
- there was no audit qualification for the financial statements of CPMSB.

FYE 31 December 2020 vs FYE 31 December 2019

The revenue of CPMSB for the FYE 31 December 2020 decreased by RM10.23 million or 37.67% to RM16.93 million as compared to the FYE 31 December 2019 of RM27.16 million. The decrease was mainly due to lower progress billings recognised from the Alwaqf project following its completion in 2019. Alwaqf is a mixed residential project comprising 206 units of serviced apartments and 294 units of serviced suites located at Kota Bharu, Kelantan.

The PBT of CPMSB for the FYE 31 December 2020 decreased by RM3.49 million or 43.35% to RM4.56 million as compared to the FYE 31 December 2019 of RM7.99 million. The decrease in PBT was in tandem with the decrease in revenue.

FYE 31 December 2021 vs FYE 31 December 2020

The revenue of CPMSB for the FYE 31 December 2021 increased by RM24.45 million or 144.42% to RM41.38 million as compared to the FYE 31 December 2020 of RM16.93 million. The increase was mainly due to higher progress billings recognised from the AraTre' Residence project following its commencement in the second half of 2020.

The PBT of CPMSB for the FYE 31 December 2021 increased by RM5.11 million or 112.06% to RM9.67 million as compared to the FYE 31 December 2020 of RM4.56 million. The increase in PBT was in tandem with the increase in revenue coupled with lower project costs incurred.

FYE 31 December 2022 vs FYE 31 December 2021

The revenue of CPMSB for the FYE 31 December 2022 increased by RM12.50 million or 30.21% to RM53.88 million as compared to the FYE 31 December 2021 of RM41.38 million. The increase was mainly due to higher progress billings recognised from the Myara project following its commencement in December 2020.

The PBT of CPMSB for the FYE 31 December 2022 decreased by RM5.44 million or 56.26% to RM4.23 million as compared to the FYE 31 December 2021 of RM9.67 million. The decrease in PBT was mainly due to lower margin yield from the Myara project coupled with higher administrative expense as a result of impairment loss on trade receivables.

10. AUDITED FINANCIAL STATEMENTS OF CPMSB FOR THE FYE 31 DECEMBER 2021 TOGETHER WITH THE NOTES AND THE AUDITORS' REPORT

HLB AAC
CHARTERED ACCOUNTANTS

COSMO PROPERTY MANAGEMENT SDN. BHD.

Registration No.: 201001030059 (913979-V)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2021

COSMO PROPERTY MANAGEMENT SDN. BHD.
Registration No.: 201001030059 (913979-V)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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Registration No.: 201001030059 (913979-V)

COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 December 2021.

Principal Activities

The principal activities of the Company are that of provision of construction works and project management.

There have been no significant changes in the nature of these principal activities during the financial year.

Financial Results

Profit for the financial year	RM7,322,486

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors do not recommend any dividend in respect of the current financial year.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Registration No.: 201001030059 (913979-V)

Directors

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Kharrul Azmi Bin Mat Nawi	
Goh Chee Hoe	Appointed on 11 May 2021
Liew Kiam Woon	Appointed on 11 May 2021
Wong Chin Fong	Resigned on 29 July 2021

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company during the financial year except as follows:

	No. of ordinary shares			
	At 1.1.2021	**Acquired**	**Disposed**	**At 31.12.2021**
<u>Interest in the Company</u>				
Direct interest:				
Kharrul Azmi Bin Mat Nawi	1	1	-	2
Indirect interest:				
LFE Corporation Berhad	-	382,500	-	382,500
- Liew Kiam Woon				

Other than as disclosed above, the Director in office at the end of the financial year did not hold any interest in shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Registration No.: 201001030059 (913979-V)

Directors' Remuneration

No remuneration was paid or payable to Directors of the Company during the financial year.

Auditors' Remuneration

Detail of auditors' remuneration are disclosed in Note 15 to the financial statements.

Indemnity and Insurance Costs

There was no indemnity given to or insurance effected for Directors or officers of the Company in accordance with Section 289 of the Companies Act, 2016.

Other Statutory Information

Before the financial statements of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(ii) the values attributed to the current assets in the financial statements of the Company misleading; or

(iii) adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(iv) any amount stated in the financial statements of the Company misleading.

No contingent or other liability of the Company has become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet their obligations when they fall due.

Registration No.: 201001030059 (913979-V)

Other Statutory Information (Continued)

At the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:

(i) the results of the operations of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Holding Company

The Directors regard LFE Corporation Berhad, a company incorporated in Malaysia and quoted on the Main Market of the Bursa Malaysia Securities Berhad, as the holding company.

Auditors

HLB Ler Lum Chew PLT (201906002362 & AF0276) have indicated their willingness to accept appointment as auditors of the Company in place of the retiring auditors, HLB AAC PLT (202006000008 & AF001977).

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

LIEW KIAM WOON

GOH CHEE HOE

KUALA LUMPUR
28 APRIL 2022

Registration No.: 201001030059 (913979-V)

COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, LIEW KIAM WOON and GOH CHEE HOE, being the Directors of COSMO PROPERTY MANAGEMENT SDN. BHD., do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 48 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2021 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

LIEW KIAM WOON

GOH CHEE HOE

KUALA LUMPUR
28 APRIL 2022

Registration No.: 201001030059 (913979-V)

COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, LIEW KIAM WOON, being the Director primarily responsible for the financial management of COSMO PROPERTY MANAGEMENT SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 11 to 48 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed LIEW KIAM WOON)
at KUALA LUMPUR)
on this date of 28 APRIL 2022)
)

LIEW KIAM WOON

Before me,

PESURUHJAYA SUMPAH
W 711
SYED KHAIRIL ANUAR
B. SYED ZAINUDIN
01/01/2021-31/12/2023
MALAYSIA

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COMMISSIONER FOR OATHS

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HLB AAC
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF COSMO PROPERTY MANAGEMENT SDN. BHD.
Registration No.: 201001030059 (913979-V)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of COSMO PROPERTY MANAGEMENT SDN. BHD., which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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HLB AAC PLT (202006000008 & AF 001977) (formerly known as Morison AAC PLT) is an independent member of HLB International, the global advisory and accounting network.

Registration No.: 201001030059 (913979-V)

HLB AAC CHARTERED ACCOUNTANTS

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

HLB AAC CHARTERED ACCOUNTANTS

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Registration No.: 201001030059 (913979-V)

HLB AAC CHARTERED ACCOUNTANTS

Other Matters

1. The financial statements of the Company for the financial year ended 31 December 2020 were audited by another firm as charted accountants who expressed an unmodified opinion on these financial statements in their report dated 6 May 2021

2. As stated in Note 2 to the financial statements, Cosmo Property Management Sdn. Bhd. adopted Malaysian Financial Reporting Standards on 1 January 2021 with a transition date of 1 January 2020. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statement of financial position of the Company as at 31 December 2020 and 1 January 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year ended 31 December 2020 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibility as part of our audit of the financial statements of the Company for the year ended 31 December 2021, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2021 do not contain misstatements that materially affect the financial position as at 31 December 2021 and the financial performance and cash flow for the year then ended.

3. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

HLB AAC

HLB AAC PLT
(202006000008 & AF001977)
Chartered Accountants

TEH WEIL XUAN
Approved Number: 03453/10/2023 J
Chartered Accountant

KUALA LUMPUR
28 APRIL 2022

Registration No.: 201001030059 (913979-V)

COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	31.12.2021 RM	31.12.2020 RM Restated	1.1.2020 RM Restated
Non-Current Asset				
Property, plant and equipment	3	325,498	449,013	231,908
Current Assets				
Contract assets	4	1,554,711	1,578,182	3,174,708
Trade receivables	5	12,238,355	16,245,158	24,360,315
Other receivables	6	11,977,518	1,410,472	17,171,649
Amount owing by a related company	9	-	-	7,500,000
Cash and bank balances		961,167	55,561	294,864
		26,731,751	19,289,373	52,501,536
Current Liabilities				
Contract liabilities	4	42,361	-	-
Trade payables	7	4,480,455	8,322,126	7,067,509
Other payables	8	1,440,000	460,296	23,297,418
Amounts owing to related companies	9	6,900,000	1,200,000	-
Current tax liabilities		1,245,106	754,380	1,515,000
Lease liabilities	10	110,375	105,191	37,195
Bank borrowings	11	-	3,267,106	4,644,787
		14,218,297	14,109,099	36,561,909
Net current assets		12,513,454	5,180,274	15,939,627
		12,838,952	5,629,287	16,171,535
Financed by:				
Share capital	12	750,000	750,000	750,000
Retained profits		11,853,490	4,531,004	15,303,384
		12,603,490	5,281,004	16,053,384
Non-Current Liabilities				
Lease liabilities	10	227,650	338,025	109,495
Deferred tax liabilities	13	7,812	10,258	8,656
		235,462	348,283	118,151
		12,838,952	5,629,287	16,171,535

The accompanying notes form an integral part of the financial statements.

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COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	31.12.2021 RM	31.12.2020 RM Restated
Revenue	14	41,380,656	16,930,426
Cost of sales		(31,436,962)	(11,929,735)
Gross profit		9,943,694	5,000,691
Other operating income		87,619	262,382
Administrative expenses		(247,570)	(522,549)
Finance costs	15	(113,143)	(178,913)
Profit before taxation	16	9,670,600	4,561,611
Taxation	17	(2,348,114)	(1,113,149)
Profit/Total comprehensive income for the financial year		7,322,486	3,448,462

The accompanying notes form an integral part of the financial statements.

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COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share Capital RM	Retained Profits RM	Total RM
At 1 January 2021				
- As previously stated		750,000	3,966,448	4,716,448
- Effects of transitioning to MFRS and prior year adjustments	23	-	564,556	564,556
- As restated		750,000	4,531,004	5,281,004
Profit/Total comprehensive income for the financial year		-	7,322,486	7,322,486
At 31 December 2021		750,000	11,853,490	12,603,490
At 1 January 2020				
- As previously stated		750,000	16,005,930	16,755,930
- Effects of transitioning to MFRS and prior year adjustments	23	-	(702,546)	(702,546)
- As restated		750,000	15,303,384	16,053,384
Profit/Total comprehensive income for the financial year				
- As previously stated		-	2,181,360	2,181,360
- Effects of transitioning to MFRS and prior year adjustments	23	-	1,267,102	1,267,102
- As restated		-	3,448,462	3,448,462
Dividends	18	-	(14,220,842)	(14,220,842)
At 31 December 2020		750,000	4,531,004	5,281,004

The accompanying notes form an integral part of the financial statements.

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COSMO PROPERTY MANAGEMENT SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	31.12.2021 RM	31.12.2020 RM Restated
Cash Flows From Operating Activities			
Profit before taxation		9,670,600	4,561,611
Adjustments for:			
Depreciation of property, plant and equipment		123,515	176,921
Property, plant and equipment written off		-	3,975
Reversal of impairment loss on trade receivables		(87,619)	(262,382)
Interest expense		113,143	178,913
Operating profit before changes in working capital		9,819,639	4,659,038
Changes in working capital:			
Trade and other receivables		(6,472,624)	24,138,716
Trade and other payables		(2,861,967)	(21,582,505)
Contract assets/contract liabilities		65,832	1,596,526
Amounts owing by/to related companies		5,700,000	8,700,000
		(3,568,759)	12,852,737
Cash generated from operations		6,250,880	17,511,775
Tax paid		(1,859,834)	(1,872,167)
Interest paid		(113,143)	(178,913)
		(1,972,977)	(2,051,080)
Net cash generated from operating activities		4,277,903	15,460,695
Cash Flows From Investing Activity			
Purchase of property, plant and equipment	20	-	(43,001)
Net cash used in investing activity		-	(43,001)

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COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	31.12.2021 RM	31.12.2020 RM Restated
Cash Flows From Financing Activities			
Repayment of bank borrowings	20	(2,312,011)	(422,520)
Repayment of lease liabilities	20	(105,191)	(58,474)
Dividends paid	18	-	(14,220,842)
Net cash used in financing activities		(2,417,202)	(14,701,836)
Net increase in cash and cash equivalents		1,860,701	715,858
Cash and cash equivalents at the beginning of the financial year		(899,534)	(1,615,392)
Cash and cash equivalents at the end of the financial year		961,167	(899,534)
Cash and cash equivalents at the end of the financial year comprise:			
Cash and bank balances		961,167	55,561
Bank overdraft		-	(955,095)
		961,167	(899,534)

The accompanying notes form an integral part of the financial statements.

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COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. **Corporate Information**

The principal activities of the Company are that of provision of construction works and project management.

The Company is a private limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia.

The registered office of the Company is located at Unit 1-3-3, No.1, Jalan P.Ramlee, 10460 Georgetown, Pulau Pinang.

The principal place of business is located at D1-1-1, Block D1, Dana 1 Commercial Centre, Jalan PJU 1A/46, PJU 1A, 47301 Ara Damansara, Petaling Jaya, Selangor.

2. **Basis of Preparation and Significant Accounting Policies**

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

During the financial year, the Company have adopted the Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB"). As this is the Company's first financial statement prepared in accordance with MFRSs, the requirements of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards have been applied.

In the previous financial years, the financial statements of the Company were prepared in accordance with Malaysia Private Entities Reporting Standard ("MPERS"). The impact arising from the adoption of MFRS are disclosed in Note 23 to the financial statements.

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2 to the financial statements.

Accounting standard and amendments to accounting standards that are applicable for the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2022

- Amendments to MFRS 3, "Business Combinations" (Reference to the Conceptual Framework)
- Amendments to MFRS 116, "Property, Plant and Equipment" (Proceeds before Intended Use)
- Amendments to MFRS 137, "Provision, Contingent Liabilities and Contingent Assets" (Onerous Contracts - Cost of Fulfilling a Contract)
- Annual Improvement to MFRS Standards 2018 - 2020:
  - Amendment to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards"
  - Amendment to MFRS 9, "Financial Instruments"
  - Amendment to Illustrative Examples accompanying MFRS 16, "Leases"
  - Amendment to MFRS 141, "Agriculture"

Annual periods beginning on/after 1 January 2023

- MFRS 17, "Insurance Contracts"
- Amendments to MFRS 17, "Insurance Contracts"
- Amendments to MFRS 101, "Presentation of Financial Statements" (Classification of Liabilities as Current or Non-current)
- Amendments to MFRS 101, "Presentation of Financial Statements" (Disclosure of Accounting Policies)
- Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors" (Definition of Accounting Estimates)
- Amendments to MFRS 112, "Income Taxes" (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.1 Basis of preparation (continued)

Accounting standard and amendments to accounting standards that are applicable for the Company in the following periods but are not yet effective: (continued)

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10, "Consolidated Financial Statements" and MFRS 128, "Investments in Associates and Joint Ventures" (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The adoption of the accounting standard and amendments to accounting standards are not expected to have any significant impact to the financial statements of the Company

2.2 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Revenue from construction contracts

The Company recognises construction revenue and costs by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Company's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining:

- The completeness and accuracy of the budgets;
- The extent of the costs incurred.

Substantial changes in cost estimates can in future periods have, a significant effect on the Company's revenue recognised. In making the above judgement, the Company relies on past experience and work of specialists.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant accounting estimates and judgements (continued)

(b) Measurement of expected credit loss allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

2.4 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, unless otherwise stated.

(a) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, unless otherwise stated.

(a) Property, plant and equipment (Continued)

(ii) Depreciation and impairment

Property, plant and equipment are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives as follows:

Computer	5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting period, and adjusted as appropriate.

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(b) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(b) Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(c) Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(c) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(iii) Subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade receivables, other receivables and amount owing by a related company.

There are three subsequent measurement categories, depending on the Company's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(c) Financial assets (continued)

(iii) Subsequent measurement (continued)

Debt instruments (continued)

- FVOCI

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss

- FVTPL

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Company has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Company considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Company's right to receive payments is established.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(c) Financial assets (continued)

(iv) Impairment

The Company assess expected credit losses associated with its debt instruments carried at amortised cost and at FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expect to receive, over the remaining life of the financial instrument.

For trade receivables and contract assets, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

In measuring expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking factors affecting the ability of the customers to settle the receivables.

The Company define a financial instrument as default, which is aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Company consider the following instances:

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(c) Financial assets (continued)

(iv) Impairment (continued)

- The debtor is in breach of financial covenants
- Concessions have been made by the Company related to the debtor's financial difficulty
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- The debtor is insolvent

Financial assets that are credit-impaired are assessed for impairment on an individual basis.

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three month or less, and are used by the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(e) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(e) Financial liabilities (continued)

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(g) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Company expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of econ omic benefits are probable, but not virtually certain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(i) Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(j) Leases - accounting by lessee

Leases are recognised as right-of-use assets and a corresponding liability at the commencement date on which the leased asset is available for use by the Company.

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that the lease will be extended or terminated.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(j) Leases - accounting by lessee (continued)

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(k) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognisation of an asset or liability transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(k) Current and deferred income tax (continued)

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Revenue and income recognition

(i) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Company transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Company and its customer has approved the contract and intend to perform their respective obligations, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Construction activities

Revenue from construction activities is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Company's performance:

- creates and enhances an asset that the customer controls as the Company performs; or
- do not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Significant accounting policies (continued)

(l) Revenue and income recognition (continued)

(i) Revenue from contracts with customers (continued)

<u>Construction activities</u> (continued)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Company's effort or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract).

Incremental consts of obtaining a contract, if recoverable, are capitalised as contract cost assets and are subsequently amortised consistently with the pattern of revenue for the related contract.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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3. Property, Plant and Equipment

2021	Computer RM	Motor vehicles RM	Total RM
Cost			
At 1 January/31 December 2021	3,699	949,765	953,464
Accumulated depreciation			
At 1 January 2021	370	504,081	504,451
Charge for the financial year	740	122,775	123,515
At 31 December 2021	1,110	626,856	627,966
Carrying amount			
At 31 December 2021	2,589	322,909	325,498

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3. **Property, Plant and Equipment (Continued)**

2020	Computer RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Scaffolding RM	Total RM
Cost						
At 1 January 2020	108,673	9,700	555,463	6,312	222,601	902,749
Additions	3,699	-	394,302	-	-	398,001
Write-off	(108,673)	(9,700)	-	(6,312)	(222,601)	(347,286)
At 31 December 2020	3,699	-	949,765	-	-	953,464
Accumulated depreciation						
At 1 January 2020	108,673	8,498	372,050	3,540	178,080	670,841
Charge for the financial year	370	-	132,031	-	44,520	176,921
Write-off	(108,673)	(8,498)	-	(3,540)	(222,600)	(343,311)
At 31 December 2020	370	-	504,081	-	-	504,451
Carrying amount						
At 31 December 2020	3,329	-	445,684	-	-	449,013

Included in property, plant and equipment of the Company are motor vehicles acquired under hire purchase financing with carrying amount of RM322,909 (RM445,684).

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4. **Contract Assets/(Contract Liabilities)**

(a) Amount due from/(to) contract customers

	31.12.2021 RM	31.12.2020 RM Restated
Contract costs incurred to date	42,791,506	11,763,205
Add: Attributable profits	15,133,186	4,960,832
	57,924,692	16,724,037
Less: Progress billings	(56,412,342)	(15,145,855)
	1,512,350	1,578,182
Represented by:		
Amount due from contract customers	1,554,711	1,578,182
Amount due to contract customers	(42,361)	-
Total	1,512,350	1,578,182

(b) Unsatisfied long-term contracts

As at the end of the financial year, the aggregate amount of transaction price allocated to the remaining unfulfilled performance obligations of the Company is RM14,124,179 (31.12.2020: RM30,983,282) which will be recognised as revenue when the relevant projects are completed, which are expected to occur over the next 12 months (31.12.2020: 12 to 24 months).

5. **Trade Receivables**

	31.12.2021 RM	31.12.2020 RM Restated	1.1.2020 RM Restated
Trade receivables	8,301,563	14,017,281	25,062,861
Retention sum receivables	4,289,337	2,668,041	-
	12,590,900	16,685,322	25,062,861
Less: Accumulated impairment lossess (Note 21)	(352,545)	(440,164)	(702,546)
	12,238,355	16,245,158	24,360,315

The Company's normal trade credit terms range from 60 to 90 days (2020: 60 to 90 days). Other credit terms are assessed and approved on a case by case basis.

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6. **Other Receivables**

	31.12.2021 RM	31.12.2020 RM
Other receivables	7,467,046	1,400,000
Performance bond	4,500,000	-
Prepayments	10,472	10,472
	11,977,518	1,410,472

Included in other receivables of the Company is an amount of RM7,034,194 (2020: RMNil) represents advance payment to one of its supplier for a newly secured project.

7. **Trade Payables**

	31.12.2021 RM	31.12.2020 RM Restated
Trade payables	2,637,955	6,145,096
Retention sum payables	1,842,500	2,177,030
	4,480,455	8,322,126

The normal trade credit term granted to the Company is 60 days (31.12.2020: 60 days).

8. **Other Payables**

	31.12.2021 RM	31.12.2020 RM Restated
Other payables	1,400,000	437,754
Accruals	40,000	22,542
	1,440,000	460,296

9. **Amounts Owing by/(to) Related Companies**

These amounts are unsecured, interest-free and repayable on demand.

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10. Lease Liabilities

	31.12.2021 RM	31.12.2020 RM
Gross minimum lease payments:		
- Less than 1 year	122,784	122,784
- Between 1 to 5 years	239,445	362,229
	362,229	485,013
Less: Future finance charges	(24,204)	(41,797)
	338,025	443,216
Present value of lease liabilities:		
- Less than 1 year	110,375	105,191
- Between 1 to 5 years	227,650	338,025
	338,025	443,216
Analysed as:		
Repayable within twelve months	110,375	105,191
Repayable after twelve months	227,650	338,025
	338,025	443,216

The effective interest rate ranges from 4.18% to 5.24% (2020: 3.78% to 4.63%) per annum.

11. Bank Borrowings

	31.12.2021 RM	31.12.2020 RM
Current		
Secured:		
Bank overdraft	-	955,095
Banker's acceptance	-	2,312,011

The range of effective interest rate per annum are as follows:

	31.12.2021 RM	31.12.2020 RM
Bank overdraft	-	5.45%
Banker's acceptance	-	2.25% - 2.31%

The bank borrowings are secured as follows:
(i) First legal charge over a third party's property;
(ii) Joint and several guarantees by the directors and a third party; and
(iii) Corporate guarantee by holding company

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12. **Share Capital**

	Number of ordinary shares		Amount	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	Units	**Units**	**RM**	**RM**
Issued and fully paid				
At beginning/end of financial year	750,000	750,000	750,000	750,000

13. **Deferred Tax Liability**

The movement on the net deferred tax liability is as follows:

	31.12.2021	**31.12.2020**
	RM	**RM**
At beginning of the financial year	10,258	8,656
Recognised in profit or loss (Note 17)	(2,446)	1,602
At the end of the financial year	7,812	10,258

Deferred tax liability mainly arises from property, plant and equipment.

14. **Revenue**

	31.12.2021	**31.12.2020**
	RM	**RM**
Revenue recognised from contracts with customers:		
- Construction activities	41,380,656	16,930,426

Breakdown of revenue recognised from contracts with customers is as follows:

	31.12.2021	**31.12.2020**
	RM	**RM**
Major goods and services		
Construction activities	41,380,656	16,930,426
Geographical market		
Malaysia	41,380,656	16,930,426
Timing of revenue recognition		
Over time	41,380,656	16,930,426

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15. **Finance Costs**

	31.12.2021 RM	31.12.2020 RM
Interest expense on:		
- Bank overdraft	59,903	49,048
- Bankers' acceptance	35,647	118,099
- Lease liabilities	17,593	11,766
	113,143	178,913

16. **Profit before Taxation**

Profit before taxation is derived after charging:

	31.12.2021 RM	31.12.2020 RM
Auditors' remuneration:		
- current year	40,000	12,000
Depreciation of property, plant and equipment	123,515	176,921
Property, plant and equipment written off	-	3,975
Reversal of impairment loss on trade receivables	(87,619)	(262,382)

17. **Taxation**

	31.12.2021 RM	31.12.2020 RM Restated
Current taxation:		
- Current year	2,348,658	1,073,132
- Under provision in prior years	1,902	38,415
	2,350,560	1,111,547
Deferred taxation: (Note 13)		
- Origination and reversal of temporary differences	(355)	1,602
- Over provision in prior year	(2,091)	-
	(2,446)	1,602
Taxation for the financial year	2,348,114	1,113,149

Income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

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17. **Taxation (Continued)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	31.12.2021 RM	31.12.2020 RM Restated
Profit before taxation	9,670,600	4,561,611
Taxation at statutory tax rate of 24% (2020: 24%)	2,320,944	1,094,787
Tax incentive obtained from differential tax rate of 7 % (2020: 7%)	-	(42,000)
Expenses not deductible for tax purposes	27,359	21,947
Under provision of current taxation in prior years	1,902	38,415
Over provision of deferred taxation in prior years	(2,091)	-
Taxation for the financial year	2,348,114	1,113,149

18. **Dividends**

	31.12.2021 RM	31.12.2020 RM
Single tier interim dividend of:		
(i) RM7.63 per share in respect of the financial year ended 31 December 2020	-	5,720,842
(ii) RM3.33 per share in respect of the financial year ended 31 December 2020	-	2,500,000
(iii) RM8.00 per share in respect of the financial year ended 31 December 2020	-	6,000,000
	-	14,220,842

19. **Related Parties Disclosures**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

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19. **Related Parties Disclosures (Continued)**

There is no material related party transaction carried out and remuneration paid to key management personnel by the Company during the financial year.

20. **Cash Flow Information**

(a) Purchase of property, plant and equipment

	31.12.2021 RM	**31.12.2020 RM**
Cost of property, plant and equipment purchased	-	398,001
Less: hire purchase financing	-	(355,000)
Cash payment	-	43,001

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities RM	**Banker's acceptance RM**	**Total RM**
2021			
At 1 January 2021	443,216	2,312,011	2,755,227
Net cash flows in financing activities	(105,191)	(2,312,011)	(2,417,202)
At 31 December 2021	338,025	-	338,025
2020			
At 1 January 2020	146,690	2,734,531	2,881,221
Financing	355,000	-	355,000
Net cash flows in financing activities	(58,474)	(422,520)	(480,994)
At 31 December 2020	443,216	2,312,011	2,755,227

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21. **Financial Instruments**

The table below provides an analyse of financial instruments and their catagories:

	31.12.2021 Financial assets and liabilities at amortised cost RM	31.12.2020 Financial assets and liabilities at amortised cost RM Restated	1.1.2020 Financial assets and liabilities at amortised cost RM Restated
Financial assets			
Trade receivables	12,238,355	16,245,158	24,360,315
Other receivables	11,967,046	1,400,000	17,167,745
Amount owing by a related company	-	-	7,500,000
Cash and bank balances	961,167	55,561	294,864
	25,166,568	17,700,719	48,322,924
Financial liabilities			
Trade payables	4,480,455	8,322,126	7,067,509
Other payables	1,440,000	460,296	23,297,418
Amounts owing to related companies	6,900,000	1,200,000	-
Lease liabilities	338,025	443,216	146,690
Bank borrowings	-	3,267,106	4,644,787
	13,158,480	13,692,744	35,156,404

Financial risk management

The Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Company's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

<u>Credit risk</u>

Credit risk is the risk of a financial loss to the Company if a counterparty of a financial asset fails to meet its contractual obligations. The Company's exposure to credit risk arises mainly from trade receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables ageing.

The maximum exposure to credit risk for the Company is the carrying amount of the financial assets shown in the statement of financial position.

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21. **Financial Instruments (Continued)**

Financial risk management (continued)

The ageing analysis of the Company's trade receivables is as follows:

	31.12.2021 RM	31.12.2020 RM Restated	1.1.2020 RM Restated
Neither past due nor individually impaired	6,815,017	2,668,041	-
Past due but not individually impaired:			
- 1 - 180 days past due but not individually impaired	4,837,717	6,241,014	22,953,086
- 181 - 365 days past due but not impaired	938,166	7,776,267	2,109,775
	5,775,883	14,017,281	25,062,861
	12,590,900	16,685,322	25,062,861

The Company's trade receivables of RM5,775,883 (31.12.2020: RM14,017,281) respectively were past due but not individually impaired. These relate to a number of independent customers for whom there is no recent history of default.

Movements on the Company's loss allowance for impairment of trade receivables is as follows:

	31.12.2021 RM	31.12.2020 RM Restated
At 1 January	440,164	702,546
Reversal during the financial year	(87,619)	(262,382)
At 31 December	352,545	440,164
Represented by:		
Lifetime expected credit loss impairment	352,545	440,164

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from trade and other payables, intercompany payables and borrowings.

Cash flow forecasting is performed by monitoring the Company's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

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21. **Financial Instruments (Continued)**

Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	Between 1 to 2 years RM	Between 2 to 5 years RM
31.12.2021						
Trade payables	4,480,455	-	4,480,455	4,480,455	-	-
Other payables	1,440,000	-	1,440,000	1,440,000	-	-
Amounts owing to related companies	6,900,000	-	6,900,000	6,900,000	-	-
Lease liabilities	338,025	4.18 - 5.24	362,229	122,784	186,931	52,514
	13,158,480		13,182,684	12,943,239	186,931	52,514

21. **Financial Instruments (Continued)**

Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	Between 1 to 2 years RM	Between 2 to 5 years RM
Restated						
31.12.2020						
Trade payables	8,322,126	-	8,322,126	8,322,126	-	-
Other payables	460,296	-	460,296	460,296	-	-
Amount owing to a		-				
related company	1,200,000		1,200,000	1,200,000	-	-
Lease liabilities	443,216	4.18 - 5.24	485,013	122,784	230,889	131,330
Bank borrowings	3,267,106	2.25 - 5.54	3,267,106	3,267,106	-	-
	13,692,744		13,692,744	13,372,312	230,889	131,330

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21. **Financial Instruments (Continued)**

Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Company's financial position and cash flows.

(i) Cash flow and fair value interest rate risk

The Company's fixed rate borrowings are not exposed to a risk of change in interest rates. The Company's variable rate borrowings are exposed to a change in cash flows due to changes in interest rates. Short term payables are not significantly exposed to interest rate risk.

The Company manages such exposure by maintaining a prudent mix of fixed and floating rate borrowing facilities.

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	31.12.2021 RM	31.12.2020 RM
Fixed rate instruments		
Financial liabilities	338,025	443,216
Floating rate instruments		
Financial liabilities	-	3,267,106

Since the Company's fixed rate financial liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Company's profit or loss.

As at the end of the financial year, if interest rates of floating rate instruments had been lower by 100 basis points ("bp") with all other variables held constant, this will result in post-tax increase in Company's loss of RMNil (31.12.2020: RM24,830) in statement profit or loss and other comprehensive income of the Company.

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21. **Financial Instruments (Continued)**

Financial risk management (continued)

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair value of the other financial assets carried on the statements of financial position approximates its carrying value and the Company does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be recorded. Therefore, the fair value of hierarchy is not presented.

The following table analyses the fair values of financial instruments not carried at fair value, together with their carrying amounts in the statements of financial position:

	31.12.2021		**31.12.2020**	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Lease liabilities	338,025	306,334	443,216	393,328

22. **Capital Management**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern by obtaining funding and financial support from its holding company to support its business and maximise shareholder value.

The Company monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company.

	31.12.2021 RM	**31.12.2020 RM**
Bank borrowings	-	3,267,106
Lease liabilities	338,025	443,216
Less: Cash and bank balances	(961,167)	(55,561)
(Net liquidity)/ Net debt	(623,142)	3,654,761
Equity attributable to owners of the Company	12,603,490	5,281,004
Gearing ratio	N/A	0.69

There were no changes to the Company's approach to capital management during the financial year.

23. Prior Year Adjustments

During the financial year, the Company have adopted the Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB") with a transition date of 1 January 2020.

The adoption of MFRS has resulted in the recognition of expected credit loss amounting to RM702,546 as at 1 January 2020 and RM440,164 as at 31 December 2020, in accordance with MFRS 9, "Financial Instruments".

For the financial year ended 31 December 2020, the Company had omitted cost incurred amounting to RM374,257 and over-recognised the cost incurred amounting to RM1,696,257 due to over-billings from sub-contractor, the tax impact arising from the above transaction amounted to RM317,280.

During the financial year ended 31 December 2020, the Company has wrongly classified the retention sum amounting to RM1,596,873 which is trade in nature in other payables and the expenses which is administrative in nature amounting to RM524,825 in the other operating expenses.

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23. **Prior Year Adjustments (Continued)**

The Company had made the necessary adjustments relating to the amounts with retrospective effect and the corresponding comparative figures have been adjusted as follows:

	As previously stated RM	Prior year adjustments RM	Reclassification RM	MFRS adjustments RM	As restated RM
Statement of financial positions as at 31.12.2020 (extract)					
Current Assets					
Contract assets	1,952,439	(374,257)	-		1,578,182
Trade receivables	16,685,322	-	-	(440,164)	16,245,158
Current Liabilities					
Trade payables	8,421,510	(1,696,257)	1,596,873	-	8,322,126
Other payables	2,057,169	-	(1,596,873)	-	460,296
Current tax liabilities	437,100	317,280	-	-	754,380
Equity					
Retained profits	3,966,448	1,004,720	-	(440,164)	4,531,000
Statement of comprehensive income for the year ended 31.12.2020 (extract)					
Cost of sales	13,251,735	(1,322,000)	-	-	11,929,735
Other operating income	-	-	-	262,382	262,382
Administrative expenses	1,724	-	520,825	-	522,549
Other operating expenses	520,825	-	(520,825)	-	-
Taxation	795,869	317,280	-	-	1,113,149

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23. Prior Year Adjustment (Continued)

	As previously stated RM	Prior year adjustments RM	Reclassification RM	MFRS adjustments RM	As restated RM
Statement of cash flows for the financial year ended 31.12.2020 (extract)					
Cash Flows From Operating Activities					
Profit before taxation	2,977,229	1,322,000	-	262,382	4,561,611
Reversal of impairment loss on trade receivables	-	-	-	(262,382)	(262,382)
Statement of financial positions as at 1.1.2020 (extract)					
Current Assets					
Trade receivables	25,062,861	-	-	(702,546)	24,360,315
Equity					
Retained profits	16,005,930	-	-	(702,546)	15,303,384

24. Date of Authorisation for Issue

The financial statements of the Company for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2022.

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

The information on the Vendor and CPMSB were obtained from the Vendor and the responsibility of the Board is limited to ensuring that the information thereon are accurately reproduced in this Circular.

2. CONSENT

UOBKH, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

MainStreet, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the independent advise letter and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists nor is likely to exist in relation to its role as the Principal Adviser to LFE for the Proposals.

MainStreet has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Independent Adviser for the Proposed Acquisition.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

5. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by LFE Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results or position of the Group.

6. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by LFE Group which, upon becoming enforceable, may have a material impact on the financial results or position of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur Malaysia, during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

i. Constitutions of LFE and CPMSB;

ii. Audited consolidated financial statements of LFE Group for the past 3 financial years up to the FYE 31 December 2021 and the latest unaudited quarterly report of LFE Group for the FYE 31 December 2022;

iii. Audited financial statements of CPMSB for the past 3 financial years up to the FYE 31 December 2021 and the latest unaudited financial statements of CPMSB for the FYE 31 December 2022;

iv. Subscription Agreements, Supplemental Subscription Agreements, SSA and Supplemental SSA; and

v. Letter of consent and declaration of conflict of interest referred to in **Sections 2 and 3** above, respectively.

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LFE CORPORATION BERHAD
Registration No. 200201011680 (579343-A)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of LFE Corporation Berhad ("**LFE**" or the "**Company**") which is scheduled to be conducted fully virtual from the Online Meeting Platform at https://bit.ly/3jwrvUk provided by Acclime Corporate Services Sdn Bhd on Wednesday, 26 April 2023 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF 240,405,370 NEW ORDINARY SHARES IN LFE ("LFE SHARE(S)") ("PLACEMENT SHARE(S)"), REPRESENTING APPROXIMATELY 30.0% OF THE TOTAL NUMBER OF ISSUED LFE SHARES ("PROPOSED PRIVATE PLACEMENT")

"**THAT** subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of LFE ("**Board**") to allot and issue 240,405,370 Placement Shares to the identified investors as set out in Section 2.2 of the circular to shareholders dated 12 April 2022 ("**Circular**").

THAT the Placement Shares will be priced at the issue price of RM0.0864 each, in accordance with the terms and conditions contained in the subscription agreements dated 8 December 2022 entered into between LFE and respective identified investors ("**Subscription Agreements**") for such purpose and use of proceeds as set out in Section 2.7 of the Circular.

THAT the Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing LFE Shares, save and except that the Placement Shares will 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 Placement Shares. The Placement Shares will be subject to all provisions of the Constitution of LFE and such amendments thereafter, if any.

THAT pursuant to Section 85 of the Companies Act, 2016 ("**Act**") read together with Clause 54 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights to be offered the Placement Shares ranking equally to the existing issued LFE Shares pursuant to the Proposed Private Placement.

THAT the Board be and is hereby authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/ or amendments as may be required or permitted by any relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Private Placement.

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue to be in full force and effect until the Placement Shares to be issued pursuant to or in connection with the Proposed Private Placement have been duly allotted and issued in accordance with the terms of the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF 367,500 ORDINARY SHARES IN COSMO PROPERTY MANAGEMENT SDN BHD ("CPMSB"), REPRESENTING THE REMAINING 49.0% EQUITY INTEREST IN CPMSB FROM RESOLUTE ACCOMPLISHMENT SDN BHD ("VENDOR") FOR A PURCHASE CONSIDERATION OF RM29,400,000 TO BE SATISFIED VIA A COMBINATION OF CASH AND THE ISSUANCE OF NEW LFE SHARES ("CONSIDERATION SHARES") ("PROPOSED ACQUISITION")

"**THAT**, subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Company to acquire 367,500 ordinary shares in CPMSB, representing the remaining 49% equity interest in CPMSB from the Vendor for a purchase consideration of RM29,400,000 ("**Purchase Consideration**").

The Purchase Consideration shall be satisfied via a combination of RM22,900,000 in cash and RM6,500,000 via the issuance of 66,872,427 Consideration Shares at an issue price of RM0.0972 each, in accordance with the terms and conditions of the conditional share sale agreement ("**SSA**") dated 8 December 2022 entered into between LFE and the Vendor.

THAT such Consideration Shares, upon allotment and issuance, rank equally in all respects with each other and the existing LFE Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotment and/ or other forms of distributions where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the date of allotment and issuance of the Consideration Shares. The Consideration Shares will be subject to all provisions of the Constitution of LFE and such amendments thereafter, if any.

THAT pursuant to Section 85 of the the Act read together with Clause 54 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights to be offered the Consideration Shares ranking equally to the existing issued LFE Shares pursuant to the Proposed Acquisition. Subsequent to the passing of this resolution, if this paragraph is or is found to be in any way void, invalid or unenforceable, then this paragraph shall be ineffective to the extent of such voidness, invalidity or unenforceability and the remaining provisions of this resolution shall remain in full force and effect.

THAT the Board be and is hereby authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/ or amendments as may be required or permitted by any relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Acquisition.

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue to be in full force and effect until the Consideration Shares to be issued pursuant to or in connection with the Proposed Acquisition have been duly allotted and issued in accordance with the terms of the Proposed Acquisition."

By Order of the Board

WONG YOUN KIM (MAICSA 7018778)
SSM Practising Certificate No. 201908000410
Company Secretary

Kuala Lumpur
12 April 2023

Notes:-

1. *A member entitled to participate and vote at the EGM is entitled to appoint a proxy or proxies (but not more than 2) to participate and vote in his/ her stead.*

2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he/ she specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares held by the member.*

3. *Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

4. *The Form of Proxy must be deposited at the Company's Registered Office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the holding of the EGM.*

5. *Only depositors whose names appear in the Record of Depositors as at 19 April 2023 shall be entitled to participate the EGM.*

Explanatory Note to Ordinary Resolution 1 and Ordinary Resolution 2:-

Section 85(1) of the Act provides that:-

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 54 of the Company's Constitution provides that:

"Subject to any direction to the contrary that may be given by the Company in general meeting any new shares or other convertible securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided."

By voting in favour of the proposed Ordinary Resolution 1 and/or Ordinary Resolution 2, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 54 of the Constitution of the Company to be first offered the Placement Shares and the Consideration Shares respectively which will result in a dilution of their shareholding percentage in the Company.

LFE CORPORATION BERHAD
[Registration No.: 200201011680 (579343-A)]
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE

IN RESPECT OF THE EXTRAORDINARY GENERAL MEETING ("EGM") TO BE HELD VIA AN ONLINE PLATFORM

DATE:	**TIME:**	**FULLY VIRTUAL VIA ONLINE MEETING PLATFORM:**
Wednesday, 26 April 2023	10.00 a.m.	https://bit.ly/3jwrvUk

General Meeting Record of Depositors

1. In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 April 2023 (General Meeting Record of Depositors) shall be eligible to participate and vote at the EGM or appoint proxy(ies) to participate and/ or vote on his(her) behalf.

Proxy

2. A member entitled to participate and vote remotely at the EGM using the Virtual Meeting Facilities is entitled to appoint proxy/proxies, to participate and vote instead of him. If you are unable to participate at the EGM and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions set out hereunder.

3. Alternatively, if a shareholder is unable to participate at the EGM via Virtual Meeting Facilities on 26 April 2023, he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Form of Proxy.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, not later than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting, not later than **Tuesday, 25 April 2023. The appointed proxy(ies) must register themselves via the Registration Link in Item 10 below.**

Poll Voting

5. The voting at the EGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements. The Company has appointed Acclime Corporate Services Sdn. Bhd. as Poll Administrator to conduct the poll by way of online voting and USearch Management Services as Scrutineers to verify the poll results.

6. Shareholders can proceed to vote on the resolution and submit your votes at any time from the commencement of the EGM at 10.00 a.m. and before the end of the voting session which will be announced by the Chairman of the meeting. The Online Voting link will be displayed in the Chat Box upon the commencement of the meeting. The QR Code for the Online Voting will also be displayed on the screen upon the commencement of the voting session. Upon completion of the voting session for the EGM, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolution is duly passed.

Virtual Meeting Facilities

7. We would like to invite the Shareholders to participate and vote remotely at the EGM using the Virtual Meeting Facilities. Please refer to item 10 on the registration link.

8. **For the appointed Corporate Representatives representing the Corporate Shareholders, please register yourself via the Registration Link** provided below and to provide the following documents to Acclime Corporate Services Sdn. Bhd. **not later than Tuesday, 25 April 2023 at 10.00 a.m**:

   (a) Original certificate of appointment of its Corporate Representative under the seal of the corporation; and
   (b) Corporate Representative's e-mail address and hand-phone number.

9. For the beneficiary of the shares under a Nominee Company's CDS account who wishes to use the Virtual Meeting Facility at the EGM may request its Nominee Company to appoint him/her as proxy to participate and vote remotely at the EGM via the Virtual Meeting Facilities, please submit the duly executed Form of Proxy to Acclime Corporate Services Sdn. Bhd. not later than **Tuesday, 25 April 2023 at 10.00 a.m.** and **register yourself via the Registration Link below.**

10. Please follow the following steps to be taken for participating and voting via the Virtual Meeting facilities:

	BEFORE THE EGM	
(a)	REGISTRATION	• Please click on the following link to register yourself as Shareholder/Proxy/Corporate Representative/Beneficiary Owner of an Exempt Nominee for verification of attendance purpose. Registration Link: https://bit.ly/3jwrvUk
(b)	CONFIRMATION ATTENDANCE	• Upon verification, the participation link will be sent to your goodself before the commencement of the meeting.
(c)	SUBMISSION OF QUESTIONS	• You may submit any questions online by scanning the QR Code below or via https://bit.ly/3WLAVcN and to submit your questions accordingly:
	ON THE EGM DAY	
(d)	PARTICIPATION	• To participate in the meeting, click on the participation link which was provided to you via email, at least 15 minutes before the commencement of meeting at 10.00 a.m. on 26 April 2023. • If you have any questions to be raised during the meeting, you may submit it by using the Q&A box. • The Chairman/Board of Directors will address the questions submitted prior or during the meeting accordingly.
(e)	ONLINE VOTING	• Upon the commencement of the meeting, the link to the online voting will be displayed in the Chat Box of the Virtual Meeting Room. • Members or proxies may commence voting from 10.00 a.m. on 26 April 2023 until such time when the Chairman announces the closing of the voting session. • After the counting of votes, the Chairman will announce the poll results.
(f)	CLOSURE	The EGM will be closed upon the announcement by the Chairman, the Virtual Meeting will end.

Important Notes, Term and Conditions:

i) The participation link given is strictly for the registered shareholder to participate and must NOT be shared or forwarded to any other person.

ii) In the event more than one (1) from the same registered shareholder join the virtual meeting and submit multiple votes, his/her vote will be disqualified entirely.

No Door Gift

11. There will be no distribution of door gifts for the participation of the EGM.

No Recording Or Photography

12. Unauthorised recording and photography are strictly prohibited at the EGM.

Enquiry

13. If you have any enquiry or require any assistance before or during the EGM, please contact the following during office hours from 9.00 a.m. to 5.00 p.m. (Mondays to Fridays):-

ACCLIME CORPORATE SERVICES SDN BHD
Registration No. 199901021060 (495960-D)
Level 5, Tower 8, Avenue 5, Horizon 2,
Bangsar South City
59200 Kuala Lumpur
Tel : 603-2280 6388
Mobile/WhatsApp: 017-388 3989
Fax : 603-2280 6399
Email : office365support@hmc.my
Contact Person: Acclime Virtual Meeting Administrator

Personal Data Privacy

14. By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

FORM OF PROXY

LFE CORPORATION BERHAD [200201011680 (579343-A)]

CDS Account No.	
No. of Shares Held	

I/We, ____ NRIC/Passport/Company No. _______________
(FULL NAME)

of ____ being a Member/Members
(FULL ADDRESS)

of **LFE Corporation Berhad (the "Company")** hereby appoint _________________________________
(FULL NAME)

NRIC/Passport No.__________________ Tel No. ________________ Email address________________

of ____ or failing whom,
(FULL ADDRESS)

____ NRIC/Passport No. _______________________
(FULL NAME)

Tel No. _____________________________________ Email address ___________________________

of ____
(FULL ADDRESS)

or failing whom, the Chairman of the Extraordinary General Meeting of the Company ("**EGM**") as my/our proxy to participate and vote for my/our behalf at the EGM which will be conducted fully virtual from the Online Meeting Platform at https://bit.ly/3jwrvUk provided by Acclime Corporate Services Sdn Bhd on Wednesday, 26 April 2023 at 10.00 a.m., or at any adjournment thereof.

I/We direct my/our proxy to vote for or against the resolutions to be proposed at the EGM as indicated hereunder:-

ORDINARY RESOLUTION	RESOLUTIONS	FOR	AGAINST
1	**PROPOSED PRIVATE PLACEMENT**		
2	**PROPOSED ACQUISITION**		

Dated this……………………………day of…………………………………………………2023

……………………………………………………………….
Signature/ common seal of shareholder

Notes:-

1. *A member entitled to participate and vote at the EGM is entitled to appoint a proxy or proxies (but not more than two (2)) to participate and vote in his/ her stead.*

2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he/ she specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares held by the member.*

3. *Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

4. *This Form of Proxy must be deposited at the Company's Registered Office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the holding of the EGM.*

5. *Only depositors whose names appear in the Record of Depositors as at 19 April 2023 shall be entitled to participate the EGM.*

PERSONAL DATA PRIVACY :

By submitting an instrument appointing a proxy(ies) and / or representative(s) to participate and vote at the Company's EGM and/ or any adjournment thereof, a member of the Company:-

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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AFFIX
STAMP

THE COMPANY SECRETARY

LFE CORPORATION BERHAD
Registration No.: 200201011680 (579343-A)
C/O Acclime Corporate Services Sdn Bhd
Level 5, Tower 8, Avenue 5,
Horizon 2, Bangsar South City
59200 Kuala Lumpur Malaysia

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Fold This Flap For Sealing