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

I. PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 490,567,490 NEW ORDINARY SHARES IN LFE CORPORATION BERHAD ("LFE") ("LFE SHARE(S)") ("RIGHTS SHARES") ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 1 EXISTING LFE SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER, AT AN ISSUE PRICE OF RM0.08 PER RIGHTS SHARE; AND

II. PROPOSED ACQUISITION OF 382,500 ORDINARY SHARES IN COSMO PROPERTY MANAGEMENT SDN BHD ("CPMSB"), REPRESENTING 51.0% EQUITY INTEREST IN CPMSB FROM RESOLUTE ACCOMPLISHMENT SDN BHD FOR A PURCHASE CONSIDERATION OF RM27,540,000 TO BE SATISFIED VIA A COMBINATION OF RM20,990,000 IN CASH AND RM6,550,000 VIA THE ISSUANCE OF 65,500,000 NEW LFE SHARES AT AN ISSUE PRICE OF RM0.10 PER LFE SHARE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB KAY HIAN SECURITIES (M) SDN BHD
Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of LFE which will be conducted fully virtual at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Tuesday, 2 February 2021 at 10.30 a.m., or at any adjournment thereof, together with the Form of Proxy are enclosed herewith.

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 on his/ her behalf. In such event, the completed and signed Form of Proxy should be lodged at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from participating and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	: Monday, 1 February 2021 at 10.30 a.m.
Date and time of the EGM	: Tuesday, 2 February 2021 at 10.30 a.m.

This Circular is dated 18 January 2021

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

Act	:	The Companies Act 2016 as amended from time to time and all regulations made thereunder and any re-enactment thereof
Board	:	The Board of Directors of LFE
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd [Registration No. 198701006854 (165570-W)]
Bursa Securities	:	Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
CDS	:	Central Depository System governed under the Securities Industry (Central Depositories) Act 1991, as amended from time to time and all regulations made thereunder and any re-enactment thereof
Circular	:	This circular dated 18 January 2021 in relation to the Proposals
Cash Consideration	:	RM20,990,000 of the Purchase Consideration to be satisfied via cash
Consideration Shares	:	RM6,550,000 of the Purchase Consideration to be satisfied via the issuance of 65,500,000 new LFE Shares at an issue price of RM0.10 per LFE Share
COVID-19	:	Coronavirus disease 2019
CPMSB	:	Cosmo Property Management Sdn Bhd [Registration No. 201001030059 (913979-V)]
CPMSB Share(s)	:	Ordinary share(s) in CPMSB
C&S	:	Civil and structural
Director(s)	:	The director(s) of LFE and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets And Services Act 2007
EGM	:	The forthcoming extraordinary general meeting of LFE
Entitled Shareholders	:	The shareholders whose names appear in the Record of Depositors as at the close of business on the Entitlement Date
Entitlement Date	:	A date to be determined and announced later by the Board, on which the names of the shareholders must appear in the Record of Depositors as at 5.00 p.m. in order to be entitled to participate in the Proposed Rights Issue
EPS	:	Earnings per share
FPE	:	Financial period ended/ ending
FYE	:	Financial year ended/ ending
LFE or the Company	:	LFE Corporation Berhad [Registration No. 200201011680 (579343-A)]
LFE Group	:	LFE Corporation Berhad 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	:	31 December 2020, being the latest practicable date prior to the printing and despatch of this Circular
Market Day(s)	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Scenario	:	Assuming the Proposed Rights Issue is fully subscribed by all the Entitled Shareholders and/ or their renoucee(s)
Minimum Scenario	:	Assuming the Proposed Rights Issue is undertaken on the Minimum Subcription Level
Minimum Subcription Level	:	The minimum subscription level of Rights Shares by the Undertaking Shareholders to raise the minimum level of funds LFE intends to raise from the Proposed Rights Issue amounting to RM10,594,530
M&E	:	Mechanical and electrical
NA	:	Net assets
Private Placement	:	Private placement of up to 40,880,624 new LFE Shares, representing up to 20% of the total number of issued shares of LFE, further details of which are set out in Section 2.7 of this Circular
Proposals	:	The Proposed Rights Issue and Proposed Acquisition, collectively
Proposed Acquisition	:	Proposed acquisition of 382,500 ordinary shares in CPMSB, representing 51.0% equity interest in CPMSB from RASB for a purchase consideration of RM27,540,000 to be satisfied via a combination of RM20,990,000 in cash and RM6,550,000 via the issuance of 65,500,000 Consideration Shares
Proposed Rights Issue	:	Proposed renounceable rights issue of up to 490,567,490 Rights Shares on the basis of 2 Rights Shares for every 1 existing LFE Share held on the Entitlement Date at an issue price of RM0.08 per Rights Share
Purchase Consideration	:	RM27,540,000, being the purchase consideration for the Proposed Acquisition to be satisfied via a combination of Cash Consideration and Consideration Shares
RASB or Vendor	:	Resolute Accomplishment Sdn Bhd [Registration No. 201001007075 (891696-M)]
Record of Depositors	:	A record of securities holders established by Bursa Depository under Chapter 24 of the Rules of Bursa Depository, as issued pursuant to Securities Industries (Central Depository) Act, 1991
Rights Share(s)	:	Up to 490,567,490 new LFE Shares to be issued pursuant to the Proposed Rights Issue
RM and sen	:	Ringgit Malaysia and sen, respectively

Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
Sale Share(s)	:	382,500 CPMSB Shares to be acquired by LFE from the Vendor pursuant to the Proposed Acquisition
SC	:	Securities Commission Malaysia
SSA	:	Conditional shares sale agreement dated 5 October 2020 entered into between LFE and the Vendor for the Proposed Acquisition
TERP	:	Theoretical ex-rights price
Undertakings	:	The irrevocable and unconditional undertakings provided by the Undertaking Shareholders vide their letters dated 5 October 2020, to subscribe in full for their respective entitlements under the Proposed Rights Issue based on their shareholdings as at 2 October 2020, and any additional entitlements under the Proposed Rights Issue, in the event the Undertaking Shareholders increase their shareholdings in LFE from 2 October 2020 up to and including the Entitlement Date. Further, the Undertaking Shareholders will not sell or in any way dispose of or transfer their existing interest in LFE or any part thereof during the period commencing from 2 October 2020 up to the completion of the Proposed Rights Issue
Undertaking Shareholders	:	Certain shareholders of LFE, namely Liew Kiam Woon, Liew Teow Woon, Liew Meow Nyean Realty Sdn Bhd and Ng Kok Kheng, collectively
UOBKH or the Adviser	:	UOB Kay Hian Securities (M) Sdn Bhd
VWAP	:	Volume weighted average market price

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

All references to "you" in this Circular are made to 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 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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EXECUTIVE SUMMARY

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

Key information	Description	Reference to Circular
Summary of the Proposals	**1. Proposed Rights Issue** The Proposed Rights Issue entails an issuance of up to 490,567,490 Rights Shares on the basis of 2 Rights Shares for every 1 existing LFE Share held by the Entitled Shareholders. The Undertaking Shareholders, namely Liew Kiam Woon, Liew Teow Woon, Liew Meow Nyean Realty Sdn Bhd and Ng Kok Kheng, have provided their respective Undertakings for the Proposed Rights Issue and have undertaken to subscribe in full for their respective entitlements under the Proposed Rights Issue. The Proposed Rights Issue will be undertaken on the Minimum Subscription Level, we will not procure any underwriting arrangement for the remaining portion of the Rights Shares which are not subscribed for by the other Entitled Shareholders and/ or their renouncee(s) pursuant to the Proposed Rights Issue.	Section 2
	2. Proposed Acquisition Acquisition of 382,500 ordinary shares in CPMSB, representing 51.0% equity interest in CPMSB from RASB for a purchase consideration of RM27,540,000 to be satisfied via:- (a) cash amounting to RM20,990,000; and (b) issuance of 65,500,000 Consideration Shares amounting to RM6,550,000. The Proposed Acquisition comes with profit guarantee provided by the Vendor to LFE for a period of 2 financial years up to the FYE 31 December 2022, of which the profit attributable to LFE is RM6,120,000, being 51.0% equity interest of CPMSB to be held by LFE. The purchase consideration represents a price-to-earnings multiple of 9 times of forward earnings based on the average profit guarantee of RM6,000,000 per financial year.	Section 3
Utilisation of proceeds	Based on the issue price of RM0.08 per Rights Share, LFE may raise the following proceeds from the Proposed Rights Issue which are intended to be utilised in the following manner:-	Section 2.6

	Minimum Scenario RM'000	Maximum Scenario RM'000
Full/ partial settlement of the Cash Consideration for the Proposed Acquisition	9,894	18,236
Working capital	-	20,309
Estimated expenses	700	700
Total	**10,594**	**39,245**

Key information	Description	Reference to Circular
Rationale	1. **Proposed Rights Issue** ➢ To meet our fundraising objective (as summarised above) ➢ Involve the issuance of new LFE Shares without diluting our existing shareholders' percentage shareholdings provided that all the Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue ➢ Opportunity for you to participate in an equity offering in LFE on a pro rata basis and ultimately, participate in the prospects and future growth of LFE Group by subscribing for the Rights Shares ➢ Does not incur loan servicing obligation, i.e. interest cost, as otherwise required in conventional bank borrowings	Section 4.1
	2. **Proposed Acquisition** ➢ To provide additional platform for business growth and to expand the range of LFE Group's construction services business ➢ To enlarge the customer base of LFE Group, potentially increase our market shares and expand our geographical presence ➢ To enhance LFE Group's earnings base through the profit guarantees over the profit guarantee periods	Section 4.2
Risk factors	The other potential risk factors that may arise from the Proposed Acquisition, other than risks inherent in the construction industry in which LFE Group and CPMSB are already subject to, are as follows:- ➢ Investment risks; ➢ Dependence on award of new contracts; ➢ Completion risk; and ➢ The financial and operational impacts on CPMSB arising from COVID-19 outbreak.	Section 6
Approvals required	The Proposals are subject to the following approvals being obtained:- ➢ Bursa Securities, which was obtained on 4 January 2021; ➢ Shareholders, at the forthcoming EGM; and ➢ Any other relevant authorities and/ or parties, if required.	Section 9
Conditionality	The conditionality of the Proposals are as follows:- ➢ The Proposed Rights Issue is not conditional upon the Proposed Acquisition; ➢ The Proposed Acquisition is conditional upon the Proposed Rights Issue; and ➢ The Proposals are not conditional upon any other proposals undertaken or to be undertaken by us.	Section 9
Interests of directors, major shareholders, chief executive and/ or persons connected to them	None of our Directors, major shareholders, chief executive and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals, save for their respective entitlements as shareholders under the Proposed Rights Issue (including the right to apply for additional Rights Shares under the excess application), which are also available to all our other shareholders.	Section 10
Board's recommendation	Our Board recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.	Section 13

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

Registered Office

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

18 January 2021

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)*
Tunku Azlan Bin Tunku Aziz *(Independent Non-Executive Director)*
Tng Ling Ling *(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/ Madam,

I. PROPOSED RIGHTS ISSUE; AND

II. PROPOSED ACQUISITION

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1. INTRODUCTION

On 5 October 2020, UOBKH had, on behalf of our Board, announced that we proposed to undertake the following:-

i. renounceable rights issue of up to 490,567,490 Rights Shares on the basis of 2 Rights Shares for every 1 existing LFE Share held on the Entitlement Date at an issue price of RM0.08 per Rights Share; and

ii. acquisition of 382,500 ordinary shares in CPMSB, representing 51.0% equity interest in CPMSB from RASB for a purchase consideration of RM27,540,000 to be satisfied via a combination of RM20,990,000 in cash and RM6,550,000 via the issuance of 65,500,000 Consideration Shares.

On 4 January 2021, UOBKH had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 4 January 2021, resolved to approve the following, subject to the conditions as disclosed in Section 9 of this Circular:-

i. listing and quotation for up to 490,567,490 Rights Shares pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities; and

ii. listing and quotation for 65,500,000 Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities.

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 FORTHCOMING EGM. THE NOTICE OF EGM, ADMINISTRATIVE GUIDE 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 TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED RIGHTS ISSUE

2.1 Basis and number of Rights Shares to be issued

The Proposed Rights Issue entails an issuance of up to 490,567,490 Rights Shares on the basis of 2 Rights Shares for every 1 existing LFE Share held by the Entitled Shareholders.

As at the LPD, we have an issued share capital of RM61,916,835 comprising 245,283,745 LFE Shares. The Proposed Rights Issue is undertaken on the Minimum Subscription Level, after taking into consideration the minimum amount of funds we wish to raise from the Proposed Rights Issue amounting to RM10,594,530. The said minimum amount to be raised is based on the Undertakings procured from the substantial shareholders of LFE, further details of which are set out in Section 2.3 of this Circular.

Further, assuming all Entitled Shareholders and/ or their renouncee(s) subscribe in full for their respective Rights Shares entitlements, a maximum of 490,567,490 Rights Shares may be issued, raising gross proceeds of up to RM39,245,399.

The gross proceeds to be raised from the Proposed Rights Issue is mainly earmarked for the Cash Consideration of the Proposed Acquisition and the balance is earmarked for the working capital of LFE Group. Further details on the intended utilisation of the proceeds to be raised from the Proposed Rights Issue are set out in Section 2.6 of this Circular.

The actual number of Rights Shares to be issued will depend on the eventual subscription rate. The Entitlement Date shall be determined by our Board after obtaining all relevant approvals for the Proposed Rights Issue.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/ or renounce their entitlements to the Rights Shares in full or in part. Any unsubscribed Rights Shares will be made available to other Entitled Shareholders and/ or their renouncee(s) via the excess Rights Shares application.

Fractional entitlements of the Rights Share, if any, will be disregarded and dealt with in such manner and on such terms and conditions as our Board shall in its absolute discretion deem fit or expedient and in our best interest.

2.2 Basis of determining and justification for the issue price of the Rights Shares

The issue price of RM0.08 per Rights Share was determined and fixed by our Board after taking into consideration, amongst others, the following:-

i. The minimum amount to be raised from the Proposed Rights Issue of RM10,594,530 which will allow LFE Group to meet the fund raising objectives as set out in Section 2.6 of this Circular;

ii. The prevailing market conditions and market prices of LFE Shares. The issue price of RM0.08 per Rights Share represents a discount of approximately 31.62% to the TERP computed based on the 5-day VWAP of LFE Shares up to and including 2 October 2020, being the last traded day of LFE Shares prior to the announcement of the Proposals ("**LTD**"). In addition, the issue price of RM0.08 per Rights Share also represents the following discount to the respective TERP based on the respective VWAP of LFE Shares as follows:-

	VWAP	**TERP**	**Discount to the TERP**	
Up to and including the LTD	**RM**	**RM**	**RM**	**%**
5-day VWAP of LFE Shares	0.1910	0.1170	(0.0370)	(31.62)
1-month VWAP of LFE Shares	0.1988	0.1196	(0.0396)	(33.11)
3-month VWAP of LFE Shares	0.2002	0.1200	(0.0400)	(33.33)
6-month VWAP of LFE Shares	0.1807	0.1135	(0.0335)	(29.52)
12-month VWAP of LEF Shares	0.1987	0.1196	(0.0396)	(33.11)

(Source: Bloomberg)

iii. Notwithstanding the Proposed Rights Issue is undertaken on the Minimum Subscription Level, it is the intention of our Board to achieve full subscription from the Entitled Shareholders to raise a maximum gross proceeds of RM39.25 million under the Maximum Scenario that will be channeled towards the proposed utilisation as set out in Section 2.6 of this Circular. Further, taking into consideration LFE Group's loss making position in the past few years, with only the recent FYE 31 December 2019 recording net profit, the issue price of RM0.08 per Rights Share, which represents a discount of 31.62% to the TERP computed based on the 5-day VWAP of LFE Shares up to and including the LTD, was considered reasonable by our Board in terms of the discounted value and discount percentage of the issue price as it could possibly entice Entitled Shareholders and/ or their renouncee(s) to subscribe for their respective entitlements.

2.3 Shareholder's undertaking and underwriting arrangement

Our Board has determined to undertake the Proposed Rights Issue on the Minimum Subscription Level after taking into consideration the minimum amount of funds we wish to raise from the Proposed Rights Issue which will be channelled towards the proposed utilisation of proceeds as set out in Section 2.6 of this Circular.

The Undertaking Shareholders, namely Liew Kiam Woon, Liew Teow Woon, Liew Meow Nyean Realty Sdn Bhd and Ng Kok Kheng had provided their irrevocable and unconditional Undertakings to subscribe in full for their entitlement under the Proposed Rights Issue based on their shareholdings in LFE as at 2 October 2020, and any additional entitlements under the Proposed Rights Issue in the event the Undertaking Shareholders increase their shareholdings in LFE from 2 October 2020 up to and including the Entitlement Date.

A summary of the Undertakings is set out below:-

Undertaking Shareholders	Shareholdings as at the LPD		Rights Shares to be subscribed pursuant to Undertakings		Shareholdings after the Proposed Rights Issue		Funding required
	No. of Shares	%*1	No. of Rights Shares	%*2	No. of Shares	%*3	RM
Liew Kiam Woon	17,188,008	7.01	34,376,016	7.01	51,564,024	13.65	2,750,081
Liew Teow Woon	11,297,845	4.61	22,595,690	4.61	33,893,535	8.97	1,807,655
Liew Meow Nyean Realty Sdn Bhd	8,529,958	3.48	17,059,916	3.48	25,589,874	6.77	1,364,794
Ng Kok Kheng	29,200,000	11.90	58,400,000	11.90	87,600,000	23.19	4,672,000
Total	**66,215,811**	**27.00**	**132,431,622**	**27.00**	**198,647,433**	**52.58**	**10,594,530**
	37,015,811 LFE Shares; 15.10%				**111,047,433 LFE Shares; 29.39%**		

Notes:-

*1 *Computed based on the total issued shares in LFE of 245,283,745 Shares as at the LPD*

*2 *Computed based on 490,567,490 Rights Shares available for subscription*

*3 *Computed based on the enlarged issued shares of LFE of 377,715,367 LFE Shares upon completion of the Proposed Rights Issue under the Minimum Scenario*

For clarification purpose, Liew Kiam Woon, Liew Teow Woon and Liew Meow Nyean Realty Sdn Bhd are deemed as parties acting in concert by virtue of their family relationship ("**Liew Family**"). As illustrated in the table above, as at the LPD, the Liew Family collectively holds approximately 37,015,811 LFE Shares, representing approximately 15.10% equity interest in LFE. Upon completion of the Proposed Rights Issue, the Liew Family's shareholdings will increase to 111,047,433 LFE Shares, representing approximately 29.39% equity interest in LFE under the Minimum Scenario. As such, the subscription of the Rights Shares by the Liew Family under the Minimum Scenario will not trigger the obligation to undertake a mandatory offer for all the remaining LFE Shares not already owned by them pursuant to Paragraph 4.01(a) of the Rules issued by the SC. For avoidance of doubt, Ng Kok Kheng and Liew Family are not parties acting in concert with each other.

The Undertaking Shareholders have respectively confirmed via the Undertakings that they have sufficient financial resources to fulfil their respective Undertakings. The said confirmations had been verified by UOBKH, being the adviser for the Proposed Rights Issue.

As the Proposed Rights Issue will be undertaken on the Minimum Subscription Level, we will not procure any underwriting arrangement for the remaining portion of the Rights Shares which are not subscribed for by the other Entitled Shareholders and/ or their renouncee(s) pursuant to the Proposed Rights Issue.

Pursuant to Paragraph and 8.02(1) of the Listing Requirements, we must ensure that at least 25% of the total listed Shares are in the hands of a minimum number of 1,000 public shareholders holding not less than 100 Shares each. Our public shareholding spread is not expected to fall below 25% of our enlarged issued share capital after the completion of the Proposed Rights Issue under the Minimum Scenario.

For illustration purposes, the pro forma effects of the Proposed Rights Issue (under the Minimum Scenario) on our public shareholding spread are as follows:-

	As at the LPD		**After the Proposed Rights Issue**	
	No. of Shares	**%**	**No. of Shares**	**%**
Share capital	245,283,745	100.0	377,715,367	100.0
Less: Directors'/ substantial shareholders'/ associates' shareholdings	125,171,189	51.0	257,602,811	68.2
Public shareholdings	**120,112,556**	**49.0**	**120,112,556**	**31.8**

As illustrated in the table above, upon completion of the Proposed Rights Issue under the Minimum Scenario, our public shareholding spread may reduce from approximately 49.0% as at the LPD to approximately 31.8% and we will still be in compliance with the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements.

For information purpose, the Maximum Scenario will not have any effect on the public shareholding spread as there will not be any effect on the percentage of the shareholders' shareholdings given that the Rights Shares are assumed to be fully subscribed by all the Entitled Shareholders on a pro-rata basis, and accordingly such scenario is not illustrated hereinabove.

2.4 Ranking of the Rights Shares

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

2.5 Listing and quotation for the Rights Shares

Bursa Securities had, vide its letter dated 4 January 2021, approved the listing and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds

For illustrative purposes, the intended utilisation of proceeds to be raised from the Proposed Rights Issue is set out as follows:-

Proposed utilisation	Timeframe for utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000
Full/ partial settlement of the Cash Consideration for the Proposed Acquisition[*1]	Upon completion of the Proposed Acquisition	9,894	18,236
Working capital[*2]	Within 12 months from completion of the Proposed Rights Issue	-	20,309
Estimated expenses in relation to the Proposals[*3]	Upon completion of the Proposals	700	700
Total		**10,594**	**39,245**

Notes:-

*1 *In the event the Proposed Acquisition does not materialise, the initial intended utilisation of proceeds for full/ partial settlement of the Cash Consideration for the Proposed Acquisition will accordingly be allocated to finance any other suitable and viable potential business(es)/ investment(s), as and when it arises, within 24 months from the completion of the Proposed Rights Issue, which may include, but not limited to, investment(s) in joint ventures for co-participation in undertaking construction services project(s) for our business and/ or strategic investment in business(es) which are complementary in nature with LFE Group's existing businesses. Such investment opportunities in turn may generate positive returns to LFE Group in the future. We will make the relevant announcement(s) in accordance with the Listing Requirements as and when new business(es)/ investment(s) which are likely to materialise have been identified (should the Proposed Acquisition not materialised). If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, LFE will seek the necessary approval from our shareholders*

*2 *The proceeds earmarked for working capital are intended to be utilised for the purchase of raw materials (i.e. concrete, steel bars, cement, tiles, mechanical and electrical materials) for our on-going project as mentioned below, repayment to trade creditors, project overheads (i.e. project staff cost and accommodation for project staff and rental of equipment) and administrative cost (i.e. office upkeep, utilities and administrative staff's salary). The breakdown of which cannot be determined at this juncture and will depend on the working capital requirements of LFE Group (including CPMSB) at material time. For information purposes, the total trade and other payables of LFE Group as at the LPD stood at RM12.77 million and the turnover period for trade payables is 157 days*

Our Group intends to utilise a portion of the proceeds for the working capital in respect of the following project:-

Project name	***Type/ description/ location of project***	***Project owner***	***Commencement date/ Expected completion date***	***Contract value RM'000***	***Outstanding order book as at the LPD RM'000***
AraTre' Residences	*Completion of a 9 storey podium and a 20 storey service apartment for M&E works/ Ara Damansara, Selangor*	*Puncakdana Sdn Bhd*	*December 2019/ November 2021*	*34,504*	*33,900*

For the avoidance of doubt, LFE had raised approximately RM4.71 million (net off expenses paid of approximately RM0.07 million) from the Private Placement of which RM1.18 million had been utilised for the AraTre' Residences project, RM1.99 million had been utilised for general working capital and the remaining of RM1.54 million has yet to be utilised as at the LPD, further details of which are set out in Section 2.7 of this Circular. As at the LPD, LFE Group's cash and bank balances stood at RM1.60 million including the balance of RM1.54 million of unutilised proceeds raised from the Private Placement and we have sufficient working capital for the next 12 months from the LPD. For shareholders' information, the additional allocation of up to RM20.31 million of the gross proceeds to be raised from the Proposed Rights Issue allocated for LFE Group's working capital under the Maximum Scenario is intended to finance our existing operations and project as well as any new projects to be secured in the future without relying on bank borrowings and such allocation is dependent on the eventual subscription rate of the Proposed Rights Issue. For the avoidance of doubt, in any event, the proceeds raised from the Proposed Rights Issue will firstly be allocated for the full/ partial settlement of the Cash Consideration for the Proposed Acquisition and only the remaining proceeds raised from the Proposed Rights Issue will be allocated for the expenses in relation to the Proposals and LFE Group's working capital, respectively

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

	RM'000
Professional fees (i.e. adviser, reporting accountants and solicitors)	*550*
Regulatory fees (i.e. fees payable to Bursa Securities, Securities Commission Malaysia and Companies Commission of Malaysia)	*80*
Other incidental expenses such as printing and advertising costs and miscellaneous expenses	*70*
Total	***700***

The actual proceeds to be raised from the Proposed Rights Issue will depend on the eventual subscription level of the Rights Shares. Any variation to the actual proceeds raised will be adjusted against the proceeds allocated for the working capital of LFE Group.

Pending utilisation of the proceeds from the Proposed Rights Issue for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with licensed financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for LFE Group as highlighted in Note 2 above.

2.7 Fund raising exercises in the past 12 months

For shareholders' information, on 18 December 2019, we had announced the private placement of up to 40,880,624 new LFE Shares ("**Placement Shares**"), representing up to 20% of the total number of issued shares of LFE. On 31 March 2020, a total of 20,000,000 Placement Shares were placed out at the issue price of RM0.079 per LFE Share, which raised gross proceeds of RM1.58 million pursuant to the Private Placement. Subsequently, on 12 October 2020, a total of 20,880,624 Placement Shares were placed out at the issue price of RM0.153 per LFE Share, which raised gross proceeds of RM3.19 million pursuant to the Private Placement.

Details on the utilisation of proceeds as at the LPD are set out below:-

	Expected timeframe for utilisation from the receipt of placement funds	**Proposed utilisation RM'000**	**Amount utilised RM'000**	**Amount unutilised RM'000**
Working capital for new projects*1	Within 12 months	2,580	1,176	1,404*3
General working capital*2	Within 12 months	2,128	1,989	139*4
Expenses in relation to the Private Placement	Upon completion	67	67	-
Total		**4,775**	**3,232**	**1,543**

Notes:-

*1 *The proceeds earmarked for working capital for new projects has been utilised mainly for the procurement of construction materials (e.g. steel bars, cement, tiles, mechanical and electrical materials) and payment to subcontractors in relation to the AraTre' Residence project*

*2 *The proceeds earmarked for general working capital has been utilised by LFE Group mainly for the repayment to trade creditors and subcontractors, the breakdown of which is set out as follows:-*

	RM'000
Repayment to trade creditors/ subcontractors	*730*
Administrative expenses (e.g. staff costs, rental and office upkeep)	*1,259*
Total	***1,989***

*3 *The outstanding unutilised proceeds will be used to finance the working capital for our new projects. The preliminary breakdown is set out as follows:-*

	RM'000
Procurement of construction materials (e.g. steel bars, cement, tiles, mechanical and electrical materials) and payment to subcontractors	*913*
Other operating expenses (e.g. project staff overheads and project office overheads)	*491*
Total	***1,404***

*4 *The outstanding unutilised proceeds earmarked for general working capital will be utilised as set out below:-*

	RM'000
Repayment to trade creditors/ subcontractors	*97*
Administrative expenses (e.g. staff costs, rental and office upkeep)	*42*
Total	***139***

For the avoidance of doubt, the remaining unutilised proceeds from the Private Placement of approximately RM1.54 million has been placed in deposits with licensed financial institutions and/ or short-term money market instruments in which the interests derived from the deposits with licensed financial institutions and any gains arising from the short-term money market instruments will be used as additional general working capital for LFE Group. Please refer to the circular to shareholders of LFE dated 13 February 2020 for further details of the Private Placement. Save for the Private Placement which was completed on 13 October 2020, we had not undertaken any other equity fund-raising exercises in the past 12 months.

3. PROPOSED ACQUISITION

On 5 October 2020, we had entered into the SSA with the Vendor for the Proposed Acquisition. The Purchase Consideration will be satisfied via the Cash Consideration and the Consideration Shares in the following manner:-

	RM	**%**
Cash	20,990,000	76.2
Issuance of 65,500,000 Consideration Shares at an issue price of RM0.10 each	6,550,000	23.8
Total	**27,540,000**	**100.0**

The salient terms of the SSA are set out in Appendix I of this Circular.

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.

Upon completion of the Proposed Acquisition, we will hold 51.0% equity interest in CPMSB and accordingly, CPMSB will become our subsidiary company. For information purposes, the directors and key personnel of CPMSB will remain to carry out the day-to-day operations of CPMSB. As CPMSB will become our subsidiary company post-completion of the Proposed Acquisition, the performance and/ or operations of CPMSB will be monitored accordingly by our Board and senior management. Nonetheless, upon completion of the Proposed Acquisition, Liew Kiam Woon and Goh Chee Hoe will be overseeing the integration of CPMSB into the enlarged LFE Group which include, amongst others, identifying any necessary reorganisation (if required) to ensure synergies between our existing operations and CPMSB are achieved.

For avoidance of doubt, the Proposed Acquisition is not a related party transaction.

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 specialises 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 2019 were derived from the following projects:-

Name of project	Project owner	Type/ description/ location of project	Scope of work	Commencement date/ Completion date	Total contract value RM'000
ALWAQF Garden	Maarij Development Sdn Bhd	Mixed residential project/ 206 units of serviced apartments and 294 units of serviced suites / Kota Bharu, Kelantan	Subcontractor for C&S and M&E works	August 2015/ February 2019	76,429
H Elite Design Hotel	H Elite Hotel (KB) Sdn Bhd	Commercial project/ 279 units of hotel rooms/ Kota Bharu, Kelantan	Subcontractor for M&E and renovation works	April 2019/ December 2019	12,669
Total					**89,098**

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

Name of project	Project owner	Type/ description/ location of project	Scope of work	Date of award	Commencement date/ Expected completion date	Total contract value RM'000	Outstanding order book as at the LPD RM'000
Aman Laut (Phase 1)	Property Builder (Kuala Kedah) Sdn Bhd	Mixed-residential project/ 456 units of service apartments and 87 units of shop offices/ Kuala Kedah, Kedah	Subcontractor for C&S and M&E works	15 June 2020	September 2020/ November 2022	88,836	88,836
AraTre' Residences	Puncakdana Sdn Bhd	Residential project/ 727 units of service apartments/ Ara Damansara, Selangor	Subcontractor for C&S works	10 June 2020	June 2020/ November 2021	70,027	70,027
Total						**158,863**	**158,863**

As illustrated above, CPMSB has a total of 2 on-going projects with a total estimated contract value of RM158.86 million which provides earnings visibility for the next 22 months. For information purposes, CPMSB operations are carried out in Malaysia only and its entire revenue is derived domestically. The raw materials used by CPMSB such as concrete, steel bars, mechanical and electrical materials are sourced locally.

As at the LPD, the issued share capital of CPMSB is RM750,000 comprising 750,000 CPMSB Shares. The directors of CPMSB and their respective direct and indirect shareholdings in CPMSB as at the LPD are as follows:-

			<------Direct------>		<------Indirect------>	
Directors	**Designation**	**Nationality**	**No. of CPMSB Shares**	**%**	**No. of CPMSB Shares**	**%**
Wong Chin Fong[*1]	Director	Malaysian	-	-	-	-
Kharrul Azmi bin Mat Nawi[*2]	Director	Malaysian	1	-[*3]	-	-

Notes:-

*1 *Being the working director of CPMSB and mainly responsible for overseeing the day-to-day operational matters of CPMSB such as the human resources, accounting and finance, marketing and sales departments*

*2 *Being the working director of CPMSB and mainly responsible for overseeing CPMSB's project related matters such as allocation of project resources (such as project manpower, machinery and purchase of raw materials), reviewing progress reports and dealing with projects stakeholders*

*3 *Negligible*

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

Shareholders	Country of incorporation/ Nationality	<-------Direct-------> No. of CPMSB Shares	%	<------Indirect------> No. of CPMSB Shares	%
Vendor	Malaysia	749,998	100.0	-	-
Kharrul Azmi bin Mat Nawi	Malaysian	1	-*1	-	-
Sabariah binti Ahmad	Malaysian	1	-*1	-	-
Audrey Chua Mei Ling	Malaysian	-	-	749,998*2	100.0

Notes:-

*1 *Negligible*

*2 *Deemed interest through the shares held in Vendor pursuant to Section 8 of the Act*

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

A summary of the financial information of CPMSB for the past 3 financial years up to the FYE 31 December 2019 as extracted from the Accountants' Report on CPMSB as set out in Appendix III of this Circular is set out below:-

	<---------Audited FYE 31 December---------> 2017 RM	2018 RM	2019 RM
Revenue	26,023,784	27,232,330	27,161,280
Gross Profit ("**GP**")	2,756,337	5,814,915	8,747,755
Profit before taxation ("**PBT**")	1,699,197	5,271,504	7,990,329
Profit after taxation ("**PAT**")	1,356,443	4,140,573	5,950,609
Total Equity/ Shareholders' fund/ NA	6,219,753	10,360,326	16,310,935
Total borrowings	7,968,184	6,849,639	4,644,787
Dividend declared for the financial year	-	-	-
Total issued shares (number)	750,000	750,000	750,000
Current asset	47,466,978	46,862,070	52,759,087
Current liabilities	41,507,607	36,730,991	36,561,909
GP margin (%)	10.59	21.35	32.21
PBT margin (%)	6.53	19.36	29.42
PAT margin (%)	5.21	15.20	21.91
EPS (RM)	1.81	5.52	7.93
NA per share (RM)	8.29	13.81	21.75
Current ratio (times)	1.14	1.28	1.44
Gearing (times)	1.28	0.66	0.28

FYE 31 December 2017 vs FYE 31 December 2016

The revenue of CPMSB for the FYE 31 December 2017 increased by approximately RM8.00 million or 44.40% to RM26.02 million as compared to the FYE 31 December 2016 of approximately RM18.02 million. The increase was mainly due to higher progress billings recognised from the ALWAQF Garden project as the construction stage progressed from the groundwork and basement construction works phase (i.e. ground investigation, site clearance, substructure, ground stabilisation, landscaping, terrain, foundations and underpinning works) to structural works (C&S works) which can be carried out at a faster pace for the aforesaid project during the financial year under review.

The PBT of CPMSB for the FYE 31 December 2017 had increased by approximately RM0.33 million or 24.09% to RM1.70 million as compared to the FYE 31 December 2016 of approximately RM1.37 million. The increase in PBT was mainly due to lower operating expenses incurred mainly attributable to the absence of the one-off ad hoc costs incurred of approximately RM0.66 million during the defect liability period for the first phase of the Golden Triangle project (a mixed-residential project) located at Sungai Ara, Penang during the preceding financial year under review.

FYE 31 December 2018 vs FYE 31 December 2017

The revenue of CPMSB for the FYE 31 December 2018 increased by approximately RM1.21 million or 4.65% to RM27.23 million as compared to the FYE 31 December 2017 of approximately RM26.02 million. The increase was mainly due to higher progress billings recognised from the ALWAQF Garden project due to the advancement of the progress for the M&E works which involved the installation of mechanical and electrical systems such as the building control systems, energy supply, fire safety, detection and protection system following the near completion of the C&S works for the aforesaid project during the financial year under review.

The PBT of CPMSB for the FYE 31 December 2018 had increased by approximately RM3.57 million or 210.00% to RM5.27 million as compared to the FYE 31 December 2017 of approximately RM1.70 million. The increase in PBT was mainly due to higher gross profit recorded in tandem with the increase in revenue recorded coupled with lower project costs incurred as lesser raw materials were purchased due to the near completion of the ALWAQF Garden project during the financial year under review.

FYE 31 December 2019 vs FYE 31 December 2018

The revenue of CPMSB for the FYE 31 December 2019 decreased by approximately RM0.07 million or 0.26% to RM27.16 million as compared to the FYE 31 December 2018 of approximately RM27.23 million. The decrease was mainly due to lower progress billings recognised from the ALWAQF Garden project as it was completed in February 2019.

The PBT of CPMSB for the FYE 31 December 2019 had increased by approximately RM2.72 million or 51.61% to RM7.99 million as compared to the FYE 31 December 2018 of approximately RM5.27 million. The increase in PBT was mainly due to higher gross profit recorded from the H Elite Design Hotel project mainly attributable to higher premium charge to the H Elite Design Hotel as the said project required tailor-made design with a shorter construction period during the financial year under review.

3.2 Basis and justification of arriving at the Purchase Consideration

The purchase consideration of RM27,540,000 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the following:-

i. the total profit guarantee of RM12.00 million provided by the Vendor to LFE for 2 twelve-month financial years i.e. FYE 31 December 2021 and FYE 31 December 2022 of CPMSB ("**Total Profit Guarantee**"), which translates to a profit guarantee of RM6.00 million per financial year. The total profit attributable to LFE is RM6.12 million, which translate to a yearly profit guarantee of RM3.06 million for each of the aforesaid financial year ("**Yearly Profit Guarantee**"), calculated based on 51% equity interest of CPMSB to be acquired by LFE. Therefore, the Purchase Consideration represents a price-to-earnings ("**PE**") multiple of 9 times based on the Yearly Profit Guarantee attributable to LFE.

Our Board is of the opinion that the Total Profit Guarantee is realistic, after taking into consideration the following factors:-

i. historical financial performance recorded by CPMSB for the past 3 financial years up to the FYE 31 December 2019 as set out in Section 3.1 of this Circular; and

ii. the outstanding order book of CPMSB and the future prospects of CPMSB and the enlarged LFE Group as set out in Sections 3.1 and 5.3 of this Circular, respectively.

ii. the historical profit track record of CPMSB whereby CPMSB recorded PAT of approximately RM1.36 million, RM4.14 million and RM5.95 million for the past 3 financial years up to the FYE 31 December 2019, respectively;

iii. the outstanding order book of approximately RM158.86 million of CPMSB as at the LPD which is expected to provide earnings visibility for the next 22 months as set out in Section 3.1 of this Circular;

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

v. the rationale and benefits of the Proposed Acquisition as set out in Section 4.2 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 as well as recent transactions of 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:- $\frac{\text{Price}_{market}}{\text{EPS}}$

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 2019.

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. 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.

The valuation of CPMSB is calculated as follows:-

PE multiple

	RM
Purchase Consideration (assuming 100.0% equity value of CPMSB as implied by the Purchase Consideration)	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 (number)	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**

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

Company	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)
Dynaciate Group Berhad	Principally engaged in the provision of civil and mechanical engineering, design and build as well as steel fabrication and installation works	30.11.2019	0.130	76.72	(15.10)	(4.54)	n.a.	n.a.*4
Stella Holdings Berhad	Provision of C&S, M&E and project management in the construction industry	31.03.2020	0.810	54.27	2.84	4.24	19.10	14.33
GDB Holdings Berhad	Provision of construction services	31.12.2019	0.935	584.38	29.13	4.66	20.06	15.05
Pesona Metro Holdings Berhad	Principally involved in the construction of buildings, infrastructure works and project management	31.12.2019	0.245	170.27	11.05	1.59	15.41	11.56
Vizione Holdings Berhad	Principally involved in the provision of electrical, building and civil works for construction projects	31.05.2019	0.400	315.41	63.63	11.60	3.45	2.59*4
							Low*5	11.56
							High*5	15.05
							Simple Average*5	13.65
							CPMSB	**9.00**

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

Notes:-

*1 *Being the last traded price as at the LPD.*

The market capitalisation of the comparable companies was calculated based on the last traded price as at the LPD multiplied with the total number of outstanding shares of the respective comparable companies as at the LPD

*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*

*4 *Being outlier, purely for illustration purposes*

*5 *Excluding outliers*

The recent transactions involving acquisition of a company which is involved in similar industry and/ or business activities of CPMSB are set out below:-

Date of announcement	Acquirer	Acquiree	Principal activities of acquiree	Total purchase consideration RM'mil	PAT RM'mil	Profit Guarantee RM'mil	PE times
30 April 2019	Ecobuilt Holdings Berhad	Rexallent Construction Sdn Bhd	Provision of general construction services (i.e. residential and non-residential building construction)	45.00	0.95	3.75	12.00*2
7 December 2018	Mercury Industries Berhad	Paramount Bounty Sdn Bhd	Provision of civil and building construction works	57.00*1	6.30	n.a.	9.05*3
15 January 2018	Federal International Holdings Berhad	Pembinaan Masteron Sdn Bhd	Provision of building construction which include residential, commercial and industrial projects	67.50*1	8.97	8.00	8.44*2
13 April 2017	Vizione Holdings Berhad	Wira Syukur (M) Sdn Bhd	Provision of building and civil engineering as well as construction	280.00	5.85	41.30	6.78*2
						Low	6.78
						High	12.00
						Simple Average	9.07
						CPMSB	9.00

(Source: Bursa Securities' website)

Notes:-

*1 *Assuming 100.0% equity value of acquiree as implied by the purchase consideration*

*2 *The PE multiple was calculated based on the total purchase consideration over the profit guarantee provided*

*3 *The PE multiple was calculated based on total purchase consideration over the PAT*

The earnings multiple is commonly used to estimate the value of the business. It indicates the market value of a company's shares relative to its annual earnings recorded by the company.

Based on the valuation statistics above, the PE multiple of CPMSB implied by the Purchase Consideration of 9.00 times:-

i. is lower than the range of the Adjusted PE multiple of 11.56 times and 15.05 times accorded to the comparable companies and is lower than the simple adjusted average of 13.65 times accorded to the comparable companies; and

ii. falls within the range of the PE multiple of 6.78 times and 12.00 times for recent transactions and is slightly lower than the simple adjusted average of 9.07 times for recent transactions,

as such, the value implied by the Purchase Consideration from an earnings standpoint is deemed reasonable to LFE pursuant to the Proposed Acquisition as well as the potential earnings of CPMSB moving forward.

Pursuant to the above, the Purchase Consideration is deemed reasonable premised on the valuation statistics of the comparable companies, recent transactions as well as taking into consideration the outstanding order book of CPMSB and the future prospects of CPMSB and the enlarged LFE Group as set out in Sections 3.1 and 5.3 of this Circular, respectively.

Purely for shareholders' information, other methods of valuation were not adopted for the evaluation of the Purchase Consideration of CPMSB in this valuation statistics premised on the following:-

i. Earnings before interest and taxes/ earnings before interest, taxes, depreciation, and amortisation multiple is not deemed as appropriate method of valuation as this method exclude capital expenditures, which normally have a substantial effect on the short-term and long-term financial standing of a construction company, hence these approaches would not accurately reflect the value of CPMSB which is a construction company;

ii. Asset-based approach i.e. price-to-book multiple and the revalued net assets method of valuation are not deemed as appropriate methods of valuation as CPMSB is a service-based company i.e. CPMSB is involved in the provision of C&S and M&E works and is not an asset-based company, hence these approaches would not accurately reflect the value of CPMSB; and

iii. Price-to-sales multiple is not used as part of the basis of valuation as earnings is a relatively more direct and meaningful indicator as compared to sales. In view that CPMSB is a profit-making company, coupled with the Total Profit Guarantee that has been provided by the Vendor, earnings multiple would be more applicable to reflect the value of the business of CPMSB against the price-to-sales multiple, of which may also be used for loss-making companies.

3.3 Basis and justification of arriving at the issue price of the Consideration Share

The issue price of RM0.10 per Consideration Share was determined by our Board on a willing-buyer willing-seller basis, after taking into consideration the last transacted price as at the LTD, 5-day, 1-month, 3-month, 6-month and 12-month VWAP of LFE Shares up to and including the LTD.

The issue price of RM0.10 per Consideration Share represents the following discount to the historical VWAPs and TERPs of LFE Shares:-

	Share price RM	**TERP RM**	**Discount to the TERP RM**	**%**
Last transacted price as at the LTD	0.1950	0.1183	(0.0183)	(15.47)
Up to and including the LTD				
5-day VWAP of LFE Shares	0.1910	0.1170	(0.0170)	(14.53)
1-month VWAP of LFE Shares	0.1988	0.1196	(0.0196)	(16.39)
3-month VWAP of LFE Shares	0.2002	0.1200	(0.0200)	(16.67)
6-month VWAP of LFE Shares	0.1807	0.1135	(0.0135)	(11.89)
12-month VWAP of LEF Shares	0.1988	0.1196	(0.0196)	(16.39)

(Source: Bloomberg)

Based on the above, the issue price of RM0.10 per Consideration Share represents a discount ranging from approximately 11.89% to approximately 16.67% over the last transacted price as at 2 October 2020, 5-day, 1-month, 3-month, 6-month and 12-month VWAP of LFE Shares up to and including the LTD.

The EPS of LFE Group is RM0.0006 for the FYE 31 December 2019, as such, the PE multiple implied by the issue price of RM0.10 per Consideration Share is approximately 166.67 times which is higher than the PE multiple of 9.00 times for the Proposed Acquisition. In this respect, the Proposed Acquisition is deemed to be earnings accretive to LFE Group from a PE multiple perspective.

The Purchase Consideration of RM27.54 million will be satisfied via a combination of the Cash Consideration and the issuance of the Consideration Shares. The partial settlement via the Consideration Shares will ease the strain on LFE Group's cash flow whilst the Cash Consideration (excluding the deposit of approximately RM2.75 million paid on 5 October 2020) of RM18.23 million will be financed via proceeds to be raised from the Proposed Rights Issue as follows:-

i. Under the Minimum Scenario, RM9.89 million of the Cash Consideration will be financed via the proceeds to be raised from the Proposed Rights Issue and the shortfall of approximately RM8.34 million will be funded via a combination of internally generated funds and/ or bank borrowings, further details of which are set out in Section 3.7 of this Circular; and

ii. Under the Maximum Scenario, the remaining Cash Consideration of RM18.23 million will be funded fully via the proceeds to be raised from the Proposed Rights Issue.

Premised on the above, our 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.

3.4 Ranking of Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the existing LFE Shares, save and except that the Consideration Shares will 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.

3.5 Listing and quotation for the Consideration Shares

Bursa Securities had, vide its letter date 4 January 2021, approved the listing and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities.

3.6 Mode of Settlement of the Purchase Consideration

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

	Payment terms	Timing	RM	%
i.	Deposit[*1]	Upon execution of the SSA dated 5 October 2020	2,754,000	10.0
ii.	Balance purchase consideration:-			
	a. Cash ("**Remaining Cash Payment**")	Payable/ settled on completion which is a date within 3 months from the date the SSA becomes unconditional subject to the terms and conditions of the SSA	18,236,000	66.2
	b. Issuance of 65,500,000 Consideration Shares at RM0.10 each[*2]		6,550,000	23.8
		Total	**27,540,000**	**100.0**

Notes:-

[*1] *The deposit of the Purchase Consideration has been satisfied entirely via LFE Group's internally generated funds*

[*2] *The Consideration Shares shall be allocated and issued in the following manner:-*

	Number of Consideration Shares	*Value of the Consideration Shares RM*	*Percentage of the Consideration Shares %*
Pledged Shares[(a)]	*61,200,000*	*6,120,000*	*93.4*
Remaining Consideration Shares[(b)]	*4,300,000*	*430,000*	*6.6*
Total	**65,500,000**	**6,550,000**	**100.0**

(a) Pledged Shares

*A total of 61,200,000 LFE Shares to be pledged in a securities account agreed by LFE and the Vendor amounting to RM6.12 million based on the issue price of RM0.10 per LFE Share ("**Pledged Shares**") as security for the Purchaser's Attribution (as defined in Section 4.3, Appendix I of this Circular) and represents 100% of the Purchaser's Attribution of RM6.12 million*

***(b) Remaining Consideration Shares** (after deducting the Pledged Shares)*

A total of 4,300,000 LFE Shares to be issued directly into the CDS Account of the Vendor and/ or its nominee(s)

3.7 Source of funding

Under the Maximum Scenario, the Remaining Cash Payment will be funded entirely via the proceeds to be raised from the Proposed Rights Issue. Under the Minimum Scenario, there will be a shortfall of RM8.34 million between the Remaining Cash Payment and the proceeds earmarked for the settlement of the Purchase Consideration ("**Purchase Consideration Shortfall**"). We intend to fund the Purchase Consideration Shortfall through a combination of internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by our Board at a later date upon obtaining all the necessary approvals. Purely for illustrative purposes, the indicative allocation at this juncture is as set out as follows:-

	RM'000	%
Internally generated funds	2,085	25.0
Bank borrowings	6,256	75.0
	8,341	**100.0**

For information purposes, the deposit of the Purchase Consideration of RM2,754,000 has been satisfied entirely via LFE Group's internally generated funds.

3.8 Liabilities to be assumed

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 us arising from the Proposed Acquisition.

3.9 Additional financial commitment required

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

3.10 Information on the Vendor

RASB was incorporated in Malaysia on 4 March 2010 as a private limited company under the Companies Act 1965, is deemed registered under the Act and is principally an investment holding company.

As at the LPD, the issued share capital of the Vendor is RM2,100,000 comprising 2,100,000 shares, the details of its director and shareholder together with their respective direct and indirect shareholdings in the Vendor are as follows:-

			<-----Direct------>		<----Indirect----->	
Name	**Designation**	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Audrey Chua Mei Ling	Director	Malaysian	1,725,000	82.1	-	-
Goh Poh Choo	Director	Malaysian	375,000	17.9	-	-

4. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

4.1 Proposed Rights Issue

The Proposed Rights Issue is undertaken to raise proceeds to be utilised in the manner as set out in Section 2.6 of this Circular. After due consideration of the various options available as well as the capital structure of LFE Group, our Board is of the opinion that the Proposed Rights Issue is the most appropriate means of raising funds for the following reasons:-

i The Proposed Rights Issue will involve the issuance of new LFE Shares without diluting the existing shareholders' percentage shareholdings provided that all the Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue;

ii The Proposed Rights Issue will provide the Entitled Shareholders with an opportunity to participate in an equity offering in LFE on a pro rata basis and ultimately, participate in the prospects and future growth of LFE Group by subscribing for the Rights Shares; and

iii The Proposed Rights Issue will strengthen LFE Group's financial position with enhanced shareholders' funds and reduced gearing level as compared to bank borrowings which are expected to facilitate the continuous long-term growth and expansion plans of LFE Group.

4.2 Proposed Acquisition

LFE Group is principally involved in the provision of construction services, including but not limited to, electrical and mechanical engineering services and design and build construction services. The Proposed Acquisition entails the acquisition of 51.0% equity interest of CPMSB, a company engaged in the provision of C&S and M&E works in the construction industry, which are similar to our current core business activities. Due to the similarity in our business nature and CPMSB, the Proposed Acquisition represents a horizontal acquisition to acquire our peer with the intention of expanding our existing construction services business, which is expected to enhance the revenue and earnings of LFE Group moving forward.

Further, our projects are primarily based in the Klang Valley while CPMSB's projects are primarily based in Penang, Kelantan and Klang Valley. Accordingly, the Proposed Acquisition is expected to enlarge the customer base of LFE Group which in turn is expected to increase the revenue of LFE Group's construction business in the medium term. This would then allow LFE Group to potentially increase its market share and expand its geographical presence. Presently, CPMSB has an outstanding order book of approximately RM158.86 million and the successful execution of CPMSB's outstanding order book is expected to contribute positively to LFE Group's revenue and earnings.

Under the Maximum Scenario, save for the deposit of approximately RM2.75 million paid on 5 October 2020, the Purchase Consideration will be satisfied entirely via the proceeds to be raised from the Proposed Rights Issue and the issuance of the Consideration Shares, which will enable LFE Group to expand its construction services business segment without any immediate impact on our existing cash flow. Under the Minimum Scenario, we will fund the Purchase Consideration via a combination of internally generated funds and/ or bank borrowings, and the issuance of the Consideration Shares (23.8% of the Purchase Consideration as highlighted in Section 3.6 of this Circular) will alleviate the amount of funding requirement for the Proposed Acquisition.

As disclosed in Section 3.1 of this Circular, CPMSB had generated consistent net profits for the past 3 financial years of approximately RM1.36 million (FYE 31 December 2017), RM4.14 million (FYE 31 December 2018) and RM5.95 million (FYE 31 December 2019), with net profit margins of approximately 5.21%, 15.20% and 21.91% over these respective financial years. Our Board believes that the Proposed Acquisition would provide an additional revenue and income source to LFE Group moving forward, premised on the historical financial results of CPMSB for the past 3 financial years and the Total Profit Guarantee provided by the Vendor to LFE for a period of 2 financial years up to the FYE 31 December 2022, of which the profit attributable to LFE is RM6,120,000, being 51.0% equity interest of CPMSB to be held by LFE. Barring any unforeseen circumstances, the achievement of the Total Profit Guarantee by CPMSB is expected to improve the consolidated earnings and cash flows position of LFE Group throughout the Profit Guarantee Period (as defined herein) and the Proposed Acquisition is expected to be earnings accretive to the enlarged LFE Group.

5. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF CPMSB AND THE ENLARGED LFE GROUP

5.1 Overview and outlook of the Malaysian economy

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter of 2020 (2Q 2020: -17.1%). This recovery is seen across most economic sectors, particularly the manufacturing sector, which turned positive on account of strong electrical and electronics (E&E) production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded. On a quarter-on-quarter seasonally adjusted basis, the economy turned around to register an expansion of 18.2% (2Q 2020: -16.5%).

Improvements in growth were recorded across most economic sectors, as the country transitioned from the conditional Movement Control Order ("**MCO**") into the Recovery MCO.

Domestic demand recorded a smaller decline of 3.3% in the third quarter of 2020 (2Q 2020: -18.7%), driven by improvements in both consumption and investment activity. Household spending was mainly supported by gradual recovery in income conditions, while investment activity benefitted from the ease of containment measures. Net exports rebounded to record a positive growth of 21.9% (2Q 2020: -38.6%), driven by a larger improvement in exports vis-à-vis imports. Private consumption recovered significantly from the trough in the second quarter to record a smaller contraction of 2.1% (2Q 2020: -18.5%). Household spending improved with further loosening of movement restrictions, while broad income conditions gradually recovered amid resumption of economic activities. Public consumption registered a higher growth of 6.9% (2Q 2020: 2.3%), benefitting from increased Government spending on supplies and services and faster expansion in emoluments.

Going into 2021, growth is expected to improve further, benefitting from the recovery in global demand and spill overs onto the domestic sectors, continued policy support including the recent KITA PRIHATIN and 2021 Budget measures, as well as higher production from existing and new facilities. However, the pace of recovery will be uneven across sectors with some industries expected to remain below pre-pandemic levels, and a slower improvement in the labour market. The balance of risks is tilted to the downside, emanating mainly from ongoing uncertainties surrounding COVID-19 globally and domestically. However, the economy could benefit from a larger-than-expected positive impact from various policy measures, and better-than-expected recovery in global economy.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020, Bank Negara Malaysia)

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real gross domestic product ("**GDP**") contracting by 17.1%. The contraction was mainly attributed to the imposition of the MCO to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's GDP is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021. With the bold and swift measures undertaken Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the MCO. However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the Employees Provident Fund ("**EPF**") and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

Private consumption is anticipated to increase by 7.1% in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, extension of tax relief on childcare and favourable stock market conditions. Better job prospects, following broader improvement in the economy and measures addressing employability, are also expected to contribute to household spending. Furthermore, the expected recovery in the tourism-related industries following tax incentives on domestic tourism expenses for households will also provide additional impetus to private sector spending. As the nation rapidly shifts towards adopting digitalisation, the broader availability of various e-commerce platforms and rollout of 5G technology will facilitate economic activities.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

5.2 Overview and outlook of the construction industry in Malaysia

Activity in the construction sector improved, contracting by a smaller rate of 12.4% (2Q 2020: -44.5%). Activity resumed across all sub-sectors supported by on-going large transportation projects in the civil engineering sub-sector and affordable housing projects in the residential sub-sector.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020, Bank Negara Malaysia)

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialised construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year, the sector is projected to contract by 18.7%.

The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway (WCE) and Bayan Lepas Light Rail Transit (LRT) as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

The residential subsector is anticipated to improve, supported by various measures taken by the Government to address the property overhang situation. Among the measures include the extension of Home Ownership Campaign, exemption of Real Property Gain Tax, the introduction of Rent-to-Own scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

5.3 Prospects of CPMSB and the enlarged LFE Group

As set out in Section 5.1 of this Circular, Malaysia's economy in the third quarter of 2020 registered 2.7% contraction as a result of the transition of the enforcement of MCO from conditional MCO into recovery MCO to counter the COVID-19 outbreak. On the back of COVID-19 pandemic, our construction operations have been temporarily disrupted since March 2020 during the MCO phase due to lockdown/ restriction measures and standard operating procedures put in place. We have since resumed our construction operations in May 2020. The outbreak of COVID-19 is an event of force majeure that is beyond the control of LFE Group. Various stimulus measures by the Malaysian Government and additional measures implemented by several state governments have been introduced to alleviate the impact arising from the COVID-19 outbreak including the recent KITA PRIHATIN and 2021 Budget measures. In addition, our Board will continue to monitor our funding requirements while taking into consideration LFE Group's capital structure and cost of funds and financial performance over the short to medium term as well as developments to the COVID-19 pandemic.

As highlighted in Section 4.2 of this Circular, LFE Group is principally involved in the provision of construction services, including but not limited to, electrical and mechanical engineering services and design and build construction services. As at the LPD, we have an outstanding order book of approximately RM33.90 million and we will focus on the execution of our order book and at the same time, explore suitable opportunities to tender for new contracts to replenish the order book of the enlarged LFE Group to ensure a sustainable revenue stream for the enlarged LFE Group's businesses for the medium to long term.

Considering the above, and in view of LFE Group's intention to further grow its existing construction services business, our Board anticipates that the Proposed Acquisition will allow LFE Group to expand its construction services offerings and generate business growth by leveraging on the strategic alliance and potential cross-marketing with CPMSB, which is expected to enhance the revenue and earnings of LFE Group moving forward. The successful integration of CPMSB into the enlarged LFE Group is also expected to increase the capacity and capabilities of the enlarged LFE Group to tender and undertake projects with higher contract value (within the range of RM30.00 million to RM50.00 million). The successful award and execution of such larger construction services projects are expected to generate higher positive returns and enhance the enlarged LFE Group's profile in the construction services industry in the future.

As CPMSB is already an on-going entity with existing operations, our management does not foresee any additional financial resources to be committed by LFE Group to put the business of CPMSB on-stream. Nevertheless, subsequent to the Proposed Acquisition, CPMSB will be consolidated into the enlarged LFE Group and our management will assess the financial resources to be allocated within the enlarged LFE Group accordingly. Nevertheless, at this juncture, it is the intention of our management to oversee the existing operations of CPMSB and the execution of CPMSB's outstanding order book of RM158.86 million as at the LPD from the 2 on-going construction projects, which provides earnings visibility for the next 22 months. As highlighted above, should suitable opportunities arise, our management will tender for new contract to replenish the enlarged LFE Group's orderbook.

5.3.1 Current financial position of LFE Group

The financial summary of LFE Group based on the audited consolidated results for the past 3 financial years/ periods up to the 12-month FYE 31 December 2019 and the latest unaudited quarterly results for the 9-month FPE 30 September 2020, is set out below:-

	<-------------------------Audited	----------------------	---------------------->	<-Unaudited->
	12-month FYE 31 July 2017 RM'000	17-month FPE 31 December 2018 RM'000	12-month FYE 31 December 2019 RM'000	9-month FPE 30 September 2020 RM'000
Revenue	13,379	13,752	18,856	12,289
Gross profit	4,291	1,122	4,294	1,867
PBT/ (LBT)	(1,626)	(10,564)	117	(1,599)
PAT/ (LAT)	(1,698)	(10,572)	117	(1,599)
Earnings/ (Loss) per Share (sen)	(0.94)	(5.70)	0.06	(0.71)
Gross profit margin (%)	32.07	8.16	22.77	15.19
Total interest-bearing borrowings	1,196	242	-	-
Total fixed deposits, cash and bank balances	174	62	621	468
Net cash generated from/ (used in) operating activities	1,721	(438)	(6,797)	(1,728)
Non-current assets	40,096	33,077	26,711	27,169
Current assets	31,964	17,896	27,275	24,389
Non-current liabilities	43	-	-	-
Current liabilities	27,694	17,646	19,496	16,610
Shareholders' funds/ NA	44,323	33,327	34,490	34,948
Total equity	44,323	33,327	34,490	34,948
Weighted average no. of Shares outstanding ('000)	181,566	185,320	198,209	224,623
NA per Share (RM)	0.24	0.18	0.17	0.15

	<-------------------------Audited------------------------->			<-Unaudited->
	12-month FYE 31 July 2017 RM'000	17-month FPE 31 December 2018 RM'000	12-month FYE 31 December 2019 RM'000	9-month FPE 30 September 2020 RM'000
Current ratio (times)	1.15	1.01	1.40	1.47
Gearing ratio (times)	0.03	0.01	-	-

12-month FYE 31 July 2017

For the 12-month FYE 31 July 2017, we recorded revenue of approximately RM13.38 million which represents a decrease of approximately RM9.48 million or 41.47% as compared to the preceding financial year of RM22.86 million. The decrease in revenue was mainly attributable to lower progress billings from the Ponderosa Woods Phase 1 and 2 projects in Johor Bahru, the Kiara Kerteh project in Terengganu and refurbishment of the Campbell Complex in Kuala Lumpur as substantial amount of the work for the aforementioned projects were completed in the preceding financial year. In addition, changes to building and structural design at the request of clients/ regulatory bodies resulted in the delay in the roll out of several projects which had also resulted in lower progress billings during the financial year under review.

We recorded LBT of approximately RM1.63 million for the 12-month FYE 31 July 2017 which represents a decrease of approximately RM2.65 million as compared to the preceding financial year PBT of RM1.02 million. The LBT was mainly attributable to higher other operating expenses of RM3.88 million as compared to the preceding financial year of RM0.01 million coupled with a lower share of profit of joint venture of RM0.43 million which represents a decrease of approximately RM2.70 million from the preceding financial year of RM3.13 million (namely IJM Construction Sdn Bhd-Sunway Builders Sdn Bhd-Zelan Holdings (M) Sdn Bhd-LFE Engineering Sdn Bhd Consortium ("**ISZL**"), in which LFE has a 25% equity interest in the partnership for the design, execution and completion of Zone C, Phase 1, Plot 1 of the Al Reem Island Development and the IJM Construction Sdn Bhd (Abu Dhabi Branch)-LFE Engineering Sdn Bhd (Abu Dhabi Branch) joint venture ("**IJM-LFE**") in which LFE has a 30% equity interest in the partnership for the execution and completion of Zone E2 Hotel Development, Phase 1, Plot 1 of the Al Reem Island Development which was partially offset by higher gross profit recorded during the financial year under review.

17-month FPE 31 December 2018

On 18 October 2018, we had announced the change in our financial year end from 31 July to 31 December. As such, the comparative figures for the 17-month FPE 31 December 2018 and the 12-month FYE 31 July 2017 may not be entirely comparable.

For the 17-month FPE 31 December 2018, we recorded revenue of approximately RM13.75 million which represents an increase of approximately RM0.37 million or 2.77% as compared to the preceding financial year of RM13.38 million. The revenue for the 17-month FPE 31 December 2018 was mainly derived from the RuMa Hotel & Residence project located in Kuala Lumpur and 92 units of double-storey houses in Kerteh, Terengganu. The LBT of approximately RM10.56 million for the 17-month FPE 31 December 2018 represents an increase of RM8.93 million from the preceding financial year of RM1.63 million. The LBT for the 17-month FPE 31 December 2018 was mainly attributable to administrative expenses incurred and share of expenses incurred in ISZL and IJM-LFE upon finalisation of the retention accounts with trade debtors and suppliers during the financial period under review.

For illustrative purposes, the annualised revenue for the 17-month FPE 31 December 2018 of RM9.71 million represents a decrease of approximately RM3.67 million or 27.43% as compared to the preceding financial year of RM13.38 million. The decrease was mainly attributable to lower revenue recorded from the construction segment mainly due to lower progress billing recognised due to the completion of RuMa Hotel & Residence project located in Kuala Lumpur in April 2018. The annualised LBT for the 17-month FPE 31 December 2018 of RM7.45 million represents an increase of approximately RM5.82 million or 357.06% as compared to the preceding financial year of RM1.63 million. The increase in LBT was mainly attributable to the share of expenses incurred from joint ventures amounting to RM4.86 million as compared to the share of profit gained from joint ventures of RM0.43 million in the preceding financial year.

12-month FYE 31 December 2019

As mentioned above, due to a change in our financial year end from 31 July to 31 December, the comparative figures for the 17-month FPE 31 December 2018 and the 12-month FYE 31 December 2019 may not be entirely comparable.

For the 12-month FYE 31 December 2019, we recorded revenue of approximately RM18.86 million as compared to the preceding financial year of RM13.75 million. For illustrative purposes, the revenue of approximately RM18.86 million represents an increase of approximately RM9.15 million or 99.78% as compared to the annualised revenue for the 17-month FPE 31 December 2018 of RM9.71 million. The increase was mainly due to progress billings recognised from the AraTre' Residence projects located at Selangor which were secured in the second half of 2019 during the financial year under review.

We recorded PBT of approximately RM0.12 million as compared to the LBT of approximately RM10.56 million and annualised LBT of RM7.45 million for the preceding 17-month FPE 31 December 2018. The PBT recorded was mainly attributable to a decrease in operating expenses amounting to RM2.48 million as a result of cost rationalisation exercises undertaken to reduce administrative and other operating expenses during the financial year under review.

9-month FPE 30 September 2020

For the 9-month FPE 30 September 2020, we recorded revenue of approximately RM12.29 million which represents an increase of approximately RM1.97 million or 19.09% as compared to the preceding financial period of RM10.32 million. The increase in revenue was mainly attributable to higher progress billings recognised from the AraTre' Residence projects located at Selangor.

We recorded LBT of approximately RM1.60 million for the 9-month FPE 30 September 2020 which represents an increase of approximately RM0.30 million or 23.08% as compared to the preceding financial year LBT of RM1.30 million. The higher LBT was mainly attributable to lower gross profit recorded coupled with higher operating expenses as we continued to incur fixed costs while our operations were restricted during the MCO and conditional MCO period to comply with the directives of the Malaysian Government.

5.3.2 Value creation and impact of the Proposals to our Company and shareholders

As highlighted in Section 2.6 of this Circular, the Proposed Rights Issue is expected to raise up to RM10.59 million and RM39.25 million under the Minimum Scenario and Maximum Scenario, respectively. The Proposed Rights Issue is undertaken with the intention to raise funds in an expeditious manner for the full/ partial settlement of the Cash Consideration for the Proposed Acquisition. Under the Maximum Scenario, up to RM20.31 million will be used to fund the working capital requirements of LFE Group, which will provide us with the necessary working capital for our existing operations and projects as well as any new projects to be secured in the future. The Proposed Rights Issue will also provide LFE Group with the flexibility and control over internally generated funds while reducing reliance on conventional bank borrowings which will require LFE Group to service interest and repay the principal sum on a periodic basis. This in turn may place LFE Group on a better financial and/ or liquidity position to execute our current project as well as undertake new projects.

Further, the Proposed Acquisition involves an acquisition of a direct peer, who is operating in similar business activities and industry as LFE, which is in the construction services business (i.e. provision of C&S and M&E works), the Proposed Acquisition will 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. Post-completion of the Proposed Acquisition, as and when our Board deems fit and appropriate, the enlarged LFE Group may explore undertaking larger scale construction projects such as the construction of industrial 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.

The Proposed Acquisition is also expected to expand the business operations of the enlarged LFE Group in the construction industry via direct access to the existing customer base of CPMSB. Given the wider pool of suppliers from CPMSB as a result of the Proposed Acquisition, the enlarged LFE Group will be in a better position to source for its supplies, for instance, raw materials for building construction works and industrial equipment for C&S and M&E works, possibly at a more competitive price.

Further, the outstanding order book of CPMSB stood at approximately RM158.86 million as at the LPD from the 2 on-going construction projects, which provides earnings visibility for the next 22 months.

5.3.3 The adequacy of the Proposals in addressing the Group's financial concerns and steps taken to improve the financial condition of the Group

At this juncture, our Board is of the view that the primary financial concerns of LFE Group comprise the funding requirements for the full/ partial settlement of the Cash Consideration for the Proposed Acquisition as well as the working capital requirements of the Group as highlighted in Section 2.6 of this Circular. Premised on Section 5.3.2 above as well as the effects of the Proposals as set out in Section 7 of this Circular, our Board is of the view that the Proposals are adequate to address the Group's financial requirements at this juncture.

Amongst the recent key steps taken to address its financial concerns, the Group has undertaken (i) cost rationalisation exercise undertaken in the third quarter of 2019 to reduce administrative and other operating expenses. The cost rationalisation exercise is an on-going and continuous effort by the management to monitor and assess the cost incurred by LFE Group; and (ii) full settlement of outstanding borrowings to reduce finance costs incurred by LFE Group and as at 30 September 2019, all outstanding borrowings had been fully settled via internally generated funds. As highlighted in Section 5.3.1 of this Circular, LFE Group managed to turnaround its financial performance by registering a PBT of approximately RM0.12 million for the 12-month FYE 31 December 2019 after incurring losses in the past two financial years, mainly due to new projects secured and cost control measures undertaken for the projects and operations to increase the profitability of such projects and improve the earnings of LFE Group.

Further, the Proposed Acquisition is undertaken with the intention to increase LFE Group's revenue and earnings base by acquiring a peer in similar industry and/ or business activities and the proceeds raised from the Proposed Rights Issue will be used to fund the Cash Consideration and to reduce the strain on LFE Group's cash flow, a portion of the Purchase Consideration will be satisfied via the issuance of the Consideration Shares.

Under the Maximum Scenario, up to RM20.31 million of the proceeds raised will be used to fund the working capital requirements of the enlarged LFE Group and is expected to provide sufficient working capital to the enlarged LFE Group to execute its current order book as well as undertake any new projects in the immediate future.

In view of the above, our Board is currently not considering any other corporate exercises to address LFE Group's financial concerns and/ or financial performance. Nevertheless, our Board will continue to monitor funding requirements (including LFE Group's capital structure and cost of funds) and financial performance over the longer term, and may consider undertaking future corporate exercises should the need/ opportunity arise.

Barring any unforeseen circumstances, our Board, having considered all the relevant aspect, including the financial performance of CPMSB and the Total Profit Guarantee provided, the rationale and justification for the Proposed Acquisition as set out in Section 4.2 of this Circular and the industry outlook as set out in Section 5.2 of this Circular, is of the view that the Proposed Acquisition is expected to contribute positively to the future financial performance of the enlarged LFE Group and may potentially enhance shareholders' value of LFE in the future.

(Source: Management of LFE)

6. RISK FACTORS

Save as disclosed below, our Board does not foresee any material risk pursuant to the Proposed Acquisition except for the inherent risk factors associated with the construction industry, of which LFE Group is already involved in, and will be addressed as part of LFE Group's ordinary course of business. Additional potential risks that may have an impact on the enlarged 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, both LFE and CPMSB will be able to leverage on each other's strategic alliances and the potential cross-marketing is anticipated to contribute positively to LFE Group's future financial performance. However, the various synergistic benefits to be realised from the Proposed Acquisition are dependent upon the successful integration of CPMSB into the enlarged LFE Group. Further, 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 depend on various factors.

Moving forward, our Board is confident that it can manage such risk by leveraging on LFE Group's strong management expertise.

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 favourable to LFE Group. The financial performance of LFE Group depends on the ability to secure new projects to sustain LFE 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 growth potential and future financial performance of CPMSB. 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 RM158.86 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, our Board will explore opportunities to tender for contracts to replenish the order book of the enlarged LFE Group to ensure a sustainable revenue stream for the enlarged 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 I 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, our 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.

6.4 The financial and operational impacts on CPMSB arising from COVID-19 outbreak

The recent ongoing COVID-19 outbreak has caused global economic slowdown since early 2020. As the Malaysian Government enforced MCO that started on 18 March 2020, any travel and social gathering had been restricted as well as the closures of non-essential businesses. CPMSB may encounter difficulties in the execution of their projects due to certain restrictions put in place to enable the full compliance with standard operating procedures (such as to ensure workers are fully screened for COVID-19 test and/ or to ensure work sites are adequately equipped with protective equipments) which may take time and potentially cause temporary delay in the completion of CPMSB's projects.

Notwithstanding the above, CPMSB has taken necessary steps to mitigate any delay in the completion of its projects by closely monitoring the progress of its operations and conducting timely review of its cost budgets. Through this, CPMSB seeks to reassess its monthly expenditure vis-à-vis its financial budget and performance, and are therefore able to implement cost control measures throughout its operations to minimise any adverse impact arising from the COVID-19 outbreak.

The outbreak of COVID-19 is an event of force majeure that is beyond the control of CPMSB. As highlighted in Section 5.1 of this Circular, the Government of Malaysia has introduced continued policy support including the recent KITA PRIHATIN and 2021 Budget measures to mitigate the economic impact due to the COVID-19 pandemic. Nevertheless, the success of the aforesaid measures or any future measures which may be introduced by the Government of Malaysia cannot be ascertained at this juncture, and the impact of COVID-19 on CPMSB's financial performance remains uncertain at this juncture.

Based on the above, the management of CPMSB does not foresee that CPMSB's future financial performance would be adversely affected by the COVID-19 pandemic. However, there can be no assurance that any prolonged adverse development arising from MCO, COVID-19 and/ or any other external factors (including the imposition of stop work orders on our projects) will not adversely affect the financial performance and operations of CPMSB.

7. EFFECTS OF THE PROPOSALS

7.1 Issued share capital

The pro forma effects of the Proposals on our issued share capital are set out as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	245,283,745	61,916,835	245,283,745	61,916,835
Rights Shares to be issued pursuant to the Proposed Rights Issue	132,431,622	10,594,530*1	490,567,490	39,245,399*1
Estimated expenses in relation to the Proposals	-	(365,000)	-	(365,000)
	377,715,367	72,146,365	735,851,235	100,797,234
Consideration Shares to be issued pursuant to the Proposed Acquisition	65,500,000	6,550,000*2	65,500,000	6,550,000*2
	443,215,367	**78,696,365**	**801,351,235**	**107,347,234**

***Notes**:-*

*1 *Computed based on the issue price of RM0.08 per Rights Share*

*2 *Computed based on the issue price of RM0.10 per Consideration Share*

7.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position for the FYE 31 December 2019, the pro forma effects of the Proposals on the NA per Share and gearing of LFE Group are set out as follows:

Minimum Scenario

		I	II	III
	Audited as at 31 December 2019	**After adjusting for subsequent events[*1]**	**After I and after the Proposed Rights Issue[*2]**	**After II and after the Proposed Acquisition[*4]**
	RM	**RM**	**RM**	**RM**
Share capital	57,142,100	61,916,835	72,146,365[*3]	78,696,365
Other reserves	19,417,094	19,417,094	19,417,094	19,417,094
Accumulated losses	(42,068,624)	(42,068,624)	(42,112,624)[*3]	(42,403,624)[*3]
Shareholders' fund/ NA	**34,490,570**	**39,265,305**	**49,450,835**	**55,709,835**
Non-controlling interest	-	-	-	7,992,358[*5]
Total equity	**34,490,570**	**39,265,305**	**49,450,835**	**63,702,193**
No. of Shares in issue	204,403,121	245,283,745	377,715,367	443,215,367
NA per Share (RM)	0.17	0.16	0.13	0.13
Total borrowings (RM)	-	-	-	11,047,477[*6]
Gearing ratio (times)	-	-	-	0.20

Notes:-

*1 *After adjusting for the following:-*

i. issuance and allotment of 20,000,000 Placement Shares at an issue price of RM0.079 per Placement Share on 31 March 2020 pursuant to the Private Placement; and

ii. issuance and allotment of 20,880,624 Placement Shares at an issue price of RM0.153 per Placement Share on 12 October 2020 pursuant to the Private Placement

*2 *Computed based on the issuance and allotment of 132,431,622 Rights Shares at an issue price of RM0.08 per Rights Share*

*3 *The total estimated expenses in relation to the Proposals are RM700,000. Pursuant to MFRS 132 - Financial Instruments: Disclosure of Presentation, in the event that it can be demonstrated that the transaction costs in relation to an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided, all other expenses which do not satisfy the criteria of transaction costs of an equity transaction shall be expense off in the period they are incurred. Pursuant thereto, the apportionment of the total estimated expenses is as follows:-*

i. RM365,000 will be deducted from the share capital account after I and after the Proposed Rights Issue; and

ii. RM44,000 will be deducted from accumulated losses after I and after the Proposed Rights Issue; and

iii. RM291,000 will be deducted from accumulated losses after II and after the Proposed Acquisition;

*4 *After the issuance and allotment of 65,500,000 Consideration Shares at an issue price of RM0.10 per Consideration Share*

*5 *Subsequent to the completion of the Proposed Acquisition, the financial position of CPMSB will be consolidated into the Group's account. The non-controlling interests arises from the 49.0% equity interest on CPMSB which is not attributable to the shareholders of the Company*

*6 *Assuming 75% of the Purchase Consideration Shortfall amounting to RM6.256 million is funded via bank borrowings under the Minimum Scenario and subsequent to the completion of the Proposed Acquisition, the total borrowings of CPMSB as at the FYE 31 December 2019 amounting to RM4,791,477 will be consolidated into LFE Group's account*

Maximum Scenario

		I	II	III
	Audited as at 31 December 2019	**After adjusting for subsequent events*1**	**After I and after the Proposed Rights Issue*2**	**After II and after the Proposed Acquisition*4**
	RM	**RM**	**RM**	**RM**
Share capital	57,142,100	61,916,835	100,797,234*3	107,347,234
Other reserves	19,417,094	19,417,094	19,417,094	19,417,094
Accumulated losses	(42,068,624)	(42,068,624)	(42,112,624)*3	(42,403,624)*3
Shareholders' fund/ NA	**34,490,570**	**39,265,305**	**78,101,704**	**84,360,704**
Non-controlling interest	-	-	-	7,992,358*5
Total equity	**34,490,570**	**39,265,305**	**78,101,704**	**92,353,062**
No. of Shares in issue	204,403,121	245,283,745	735,851,235	801,351,235
NA per Share (RM)	0.17	0.16	0.11	0.11
Total borrowings (RM)	-	-	-	4,791,477*6
Gearing ratio (times)	-	-	-	0.05

Notes:-

*1 *After adjusting for the following:-*

i. *issuance and allotment of 20,000,000 Placement Shares at an issue price of RM0.079 per Placement Share on 31 March 2020 pursuant to the Private Placement; and*

ii. *issuance and allotment of 20,880,624 Placement Shares at an issue price of RM0.153 per Placement Share on 12 October 2020 pursuant to the Private Placement*

*2 *Computed based on the issuance and allotment of 490,567,490 Rights Shares at an issue price of RM0.08 per Rights Share*

*3 *The total estimated expenses in relation to the Proposals are RM700,000. Pursuant to MFRS 132 - Financial Instruments: Disclosure of Presentation, in the event that it can be demonstrated that the transaction costs in relation to an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided, all other expenses which do not satisfy the criteria of transaction costs of an equity transaction shall be expense off in the period they are incurred. Pursuant thereto, the apportionment of the total estimated expenses is as follows:-*

i. *RM365,000 will be deducted from the share capital account after I and after the Proposed Rights Issue; and*

ii. *RM44,000 will be deducted from accumulated losses after I and after the Proposed Rights Issue; and*

iii. *RM291,000 will be deducted from accumulated losses after II and after the Proposed Acquisition;*

*4 *After the issuance and allotment of 65,500,000 Consideration Shares at an issue price of RM0.10 per Consideration Share*

*5 *Subsequent to the completion of the Proposed Acquisition, the financial position of CPMSB will be consolidated into LFE Group's account. The non-controlling interests arises from the 49.0% equity interest on CPMSB which is not attributable to the shareholders of the Company*

*6 *Subsequent to the completion of the Proposed Acquisition, the total borrowings of CPMSB as at the FYE 31 December 2019 amounting to RM4,791,477 will be consolidated into the Group's account*

7.3 Substantial shareholding structure

The Proposed Acquisition will have an effect on our substantial shareholders' shareholdings as the Purchase Consideration for the Proposed Acquisition will be satisfied partially via the issuance and allotment of Considerations Shares.

The pro forma effects of the Proposals on our substantial shareholdings are set out below:-

Minimum Scenario

					I			
	As at the LPD				After the Proposed Rights Issue			
	<--------Direct-------->		<------Indirect------>		<--------Direct-------->		<------Indirect------>	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Liew Kiam Woon	17,188,008	7.01	8,529,958*1	3.48	51,564,024	13.65	25,589,874*1	6.77
Liew Teow Woon	11,297,845	4.61	8,529,958*1	3.48	33,893,535	8.97	25,589,874*1	6.77
Shapadu Capital Sdn Bhd	29,677,250	12.10	-	-	29,677,250	7.86	-	-
Shapadu Corporation Sdn Bhd	-	-	29,677,250*2	12.10	-	-	29,677,250*2	7.86
Ng Kok Kheng	29,200,000	11.90	-	-	87,600,000	23.19	-	-
Liew Meow Nyean Realty Sdn Bhd	8,529,958	3.48	-	-	25,589,874	6.77	-	-
Sierra Bonus Sdn Bhd	27,534,724	11.23	-	-	27,534,724	7.29	-	-
Vendor	-	-	-	-	-	-	-	-
Audrey Chua Mei Ling	-	-	-	-	-	-	-	-

	II			
	After I and after the Proposed Acquisition			
	<--------Direct-------->		<------Indirect------>	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Liew Kiam Woon	51,564,024	11.63	25,589,874*1	5.77
Liew Teow Woon	33,893,535	7.65	25,589,874*1	5.77
Shapadu Capital Sdn Bhd	29,677,250	6.70	-	-
Shapadu Corporation Sdn Bhd	-	-	29,677,250*2	6.70
Ng Kok Kheng	87,600,000	19.76	-	-
Liew Meow Nyean Realty Sdn Bhd	25,589,874	5.77	-	-
Sierra Bonus Sdn Bhd	27,534,724	6.21	-	-
Vendor	65,500,000	14.78	-	-
Audrey Chua Mei Ling	-	-	65,500,000*3	14.78

Notes:-

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

*2 *Deemed interested by virtue of its shareholding in the wholly-owned subsidiary of Shapadu Capital Sdn Bhd pursuant to Section 8 of the Act*

*3 *Deemed interest through the shares held in the Vendor pursuant to Section 8 of the Act*

Maximum Scenario

					I			
	As at the LPD				After the Proposed Rights Issue			
	<--------Direct-------->		<------Indirect------>		<--------Direct-------->		<------Indirect------>	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Liew Kiam Woon	17,188,008	7.01	8,529,958*1	3.48	51,564,024	7.01	25,589,874*1	3.48
Liew Teow Woon	11,297,845	4.61	8,529,958*1	3.48	33,893,535	4.61	25,589,874*1	3.48
Shapadu Capital Sdn Bhd	29,677,250	12.10	-	-	89,031,750	12.10	-	-
Shapadu Corporation Sdn Bhd	-	-	29,677,250*2	12.10	-	-	89,031,750*2	12.10
Ng Kok Kheng	29,200,000	11.90	-	-	87,600,000	11.90	-	-
Sierra Bonus Sdn Bhd	27,534,724	11.23	-	-	82,604,172	11.23	-	-
Vendor	-	-	-	-	-	-	-	-
Audrey Chua Mei Ling	-	-	-	-	-	-	-	-

	II			
	After I and after the Proposed Acquisition			
	<--------Direct-------->		<------Indirect------>	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Liew Kiam Woon	51,564,024	6.43	25,589,874*1	3.19
Liew Teow Woon	33,893,535	4.23	25,589,874*1	3.19
Shapadu Capital Sdn Bhd	89,031,750	11.11	-	-
Shapadu Corporation Sdn Bhd	-	-	89,031,750*2	11.11
Ng Kok Kheng	87,600,000	10.93	-	-

	II			
	After I and after the Proposed Acquisition			
	<--------Direct-------->		<------Indirect------>	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Sierra Bonus Sdn Bhd	82,604,172	10.31	-	-
Vendor	65,500,000	8.17	-	-
Audrey Chua Mei Ling	-	-	65,500,000*3	8.17

Notes:-

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

*2 *Deemed interested by virtue of its shareholding in the wholly-owned subsidiary of Shapadu Capital Sdn Bhd pursuant to Section 8 of the Act*

*3 *Deemed interest through the shares held in the Vendor pursuant to Section 8 of the Act*

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7.4 Earnings and EPS

7.4.1 Proposed Rights Issue

The Proposed Rights Issue is not expected to have any material impact on the earnings and EPS of LFE Group for the FYE 31 December 2021. Nonetheless, if the earnings of LFE Group remains unchanged, there may be a dilution in the EPS of LFE Group for the FYE 31 December 2021 due to the increase in the number of LFE Shares to be issued pursuant to the Proposed Rights Issue. However, the Proposed Rights Issue is expected to contribute positively to the future earnings of LFE Group when the benefits from the utilisation of proceeds to be raised from the Proposed Rights Issue as set out in Section 2.6 of this Circular are realised.

7.4.2 Proposed Acquisition

Purely for illustration purposes only, assuming that the Proposed Acquisition had been effected on 1 January 2019 (being the beginning of the latest audited FYE 31 December 2019 of LFE), the pro forma effects on the earnings and the EPS of LFE Group from the Proposed Acquisition is as follows:-

Minimum Scenario

	Audited as at 31 December 2019 RM	I After adjusting for subsequent events[*2] RM	II After I and after the Proposed Rights Issue RM	III After II and after the Proposed Acquisition RM
PAT attributable to shareholders[*1]	116,867	116,867	116,867	116,867
Share of profit from CPMSB (attributable to shareholders)	-	-	-	3,064,517[*3]
Total PAT	**116,867**	**116,867**	**116,867**	**3,181,384**
Total number of Shares in issue (units)	204,403,121	245,283,745	377,715,367	443,215,367
Basic EPS (sen)	0.06	0.05	0.03	0.72

Notes:-

*1 *Based on the latest audited financial results of LFE for the FYE 31 December 2019*

*2 *After adjusting for the following:-*

i. issuance and allotment of 20,000,000 Placement Shares at an issue price of RM0.079 per Placement Share on 31 March 2020 pursuant to the Private Placement; and

ii. issuance and allotment of 20,880,624 Placement Shares at an issue price of RM0.153 per Placement Share on 12 October 2020 pursuant to the Private Placement

*3 *Based on the latest audited financial results of CPMSB for the FYE 31 December 2019, represented by 51% equity interest to be acquired by LFE*

Maximum Scenario

	Audited as at 31 December 2019 RM	I After adjusting for subsequent events*2 RM	II After I and after the Proposed Rights Issue RM	III After II and after the Proposed Acquisition RM
PAT attributable to shareholders*1	116,867	116,867	116,867	116,867
Share of profit from CPMSB (attributable to shareholders)	-	-	-	3,064,517*3
Total PAT	**116,867**	**116,867**	**116,867**	**3,181,384**
Total number of Shares in issue (units)	204,403,121	245,283,745	735,851,235	801,351,235
Basic EPS (sen)	0.06	0.05	0.02	0.40

Notes:-

*1 *Based on the latest audited financial results of LFE for the FYE 31 December 2019*

*2 *After adjusting for the following:-*

i. issuance of 20,000,000 Placement Shares at an issue price of RM0.079 per Placement Share pursuant to the Private Placement; and

ii. issuance of 20,880,624 Placement Shares at an issue price of RM0.153 per Placement Share pursuant to the Private Placement

*3 *Based on the latest audited financial results of CPMSB for the FYE 31 December 2019, represented by 51% equity interest to be acquired by us*

7.5 Convertible securities

As at the LPD, we do not have any outstanding convertible securities.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of LFE Shares as traded on Bursa Securities for the past 12 months from January 2020 to December 2020 are set out below:-

	High RM	Low RM
2020		
January	0.250	0.180
February	0.195	0.160
March	0.185	0.09
April	0.130	0.105
May	0.170	0.120
June	0.185	0.125
July	0.180	0.160
August	0.270	0.165
September	0.215	0.190
October	0.265	0.180
November	0.230	0.195
December	0.220	0.195

Last transacted market price of LFE Shares as at 2 October 2020 (being the latest trading day prior to the announcement on the Proposals)	RM0.200
Last transacted market price on 30 December 2020*1 (being the LPD prior to the printing of this Circular)	RM0.205

(Source: Bloomberg)

Note:-

*1 *There was no trading of LFE Shares on 31 December 2020*

9. APPROVALS REQUIRED/ OBTAINED

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

i. Bursa Securities, for the following:-

a. listing and quotation for up to 490,567,490 Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities; and

b. listing and quotation for up to 65,500,000 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 Bursa Securities' letter dated 4 January 2021 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;	To be complied
b.	LFE and UOBKH to inform Bursa Securities upon the completion of the Proposals;	To be complied
c.	LFE to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied
d.	Compliance by LFE with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, UOBKH to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of Listing Requirements to Bursa Securities, prior to the allotment and issuance of the Consideration Shares; and	To be complied
e.	LFE to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposals.	To be complied

ii. Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable pursuant to the Proposed Acquisition is 2,622.23%, computed based on the net profit of CPMSB against the net profit of LFE Group. Notwithstanding that the highest percentage ratio applicable to the Proposed Acquisition exceeds 100%, it shall not be deemed as a significant change in business direction or policy of LFE Group as the principal activities of CPMSB are similar to LFE Group, in which both companies are heavily involved in the same core business (i.e. provision of C&S and M&E works in the construction industry). Accordingly, the Proposed Acquisition will not result in a significant change in business direction or policy of LFE Group.

For avoidance of doubt, the settlement of the Purchase Consideration via the issuance and allotment of new LFE Shares will not result in the emergence of any new controlling shareholder. As at the LPD, the Liew Family collectively holds approximately 37,015,811 LFE Shares, representing approximately 15.10% equity interest in LFE and upon completion of the Proposals:-

a. under the Minimum Scenario, the Liew Family's shareholdings will increase to 111,047,433 LFE Shares, representing approximately 25.05% equity interest in LFE; and

b. under the Maximum Scenario, the Liew Family's shareholdings will increase to 111,047,433 LFE Shares, representing approximately 13.86% equity interest in LFE.

Accordingly, the Liew Family (being the single largest block of shareholders of LFE) will remain as the single largest block of shareholders of LFE before and after the completion of the Proposals. Further details on the pro forma effects of the Proposals on our substantial shareholders' shareholdings are set out in Section 7.3 of this Circular. In addition, the Vendor will not be seeking any Board representation and thus, the Proposed Acquisition will not result in a change in our Board or the emergence of a new controlling shareholder.

Approval for the Proposed Acquisition will be sought from our shareholders at the EGM. Approval for the Proposed Rights Issue will also be sought concurrently at the EGM; and

iii. any other relevant authorities and/ or parties, if required.

The conditionality of the Proposals are as follows:-

i. The Proposed Rights Issue is not conditional upon the Proposed Acquisition;

ii. The Proposed Acquisition is conditional upon the Proposed Rights Issue; and

iii. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by us.

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

None of our Directors, major shareholders, chief executive and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals, save for their respective entitlements as shareholders under the Proposed Rights Issue (including the right to apply for additional Rights Shares under the excess application), which are also available to all our other shareholders.

11. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to fulfilment of all the Conditions Precedents as set out in the SSA, the Proposals are expected to be completed by the second quarter of 2021. The tentative timetable in relation to the Proposals are set out below:-

Month	**Events**
2 February 2021	• Convening of EGM to obtain the approval of shareholders of LFE for the Proposals

Month	Events
Mid February 2021	• Announcement on the Entitlement Date for the Proposed Rights Issue
End February 2021	• Entitlement Date for the Proposed Rights Issue • Issuance of abridged prospectus in relation to the Proposed Rights Issue
Early April 2021	• Listing and quotation for the Rights Shares pursuant to the Proposed Rights Issue
Mid April 2021	• Listing of Consideration Shares • Completion of the Proposals

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

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

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, having considered and deliberated on all aspects of the Proposals including the terms and conditions of the SSA, rationale, pro forma effects of the Proposals to LFE Group and the prospects of CPMSB, is of the opinion that the Proposals are in the best interest of LFE Group.

Accordingly, our Board recommends that the shareholders of LFE **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals at the EGM.

14. EGM

The EGM, the notice of which is enclosed in this Circular, which will be conducted fully virtual at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Tuesday, 2 February 2021 at 10.30 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to participate and vote in person at the EGM, the completed and signed Form of Proxy must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from participating and voting in person at the forthcoming EGM should you subsequently wish to do so.

15. 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 CORPORATION BERHAD

LIEW KIAM WOON
Managing Director

1. Purchase Price

The Vendor agrees to sell and relying on the Vendor's representations and warranties, LFE agrees to purchase the said Sale Shares free from all liens, charges and encumbrances together with full legal and beneficial title with all rights, benefits and advantages attaching thereto or accruing thereon (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof as at Completion Date (as defined herein)) at the consideration of Ringgit Malaysia Twenty Seven Million Five Hundred and Forty Thousand (RM27,540,000-00) Only (hereinafter referred to as the "**Purchase Price**").

Save for the Purchase Price and the obligation and liabilities from the SSA, the Parties agree that there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by LFE arising from the acquisition of the said Sale Shares.

2. Conditions Precedent

2.1 It is expressly agreed between the parties that the sale and purchase of the said Sale Shares under the SSA is subject to and conditional upon:-

a. LFE obtaining the approval in principle of Bursa Securities for the listing and quotation for the Consideration Shares (as defined herein) in favour of the Vendor or its nominees as notified in writing to LFE ("**Vendor's Nominees**");

b. LFE obtaining the approval of its shareholders for the acquisition of the said Sale Shares and the issuance and allotment of the Consideration Shares to the Vendor or the Vendor's Nominees;

c. LFE completing a proposed renounceable rights issue exercise of up to 490,567,490 new ordinary shares in LFE;

d. LFE being satisfied with the result of the due diligence audit conducted by LFE and/ or through its auditor/accountant/solicitors/ other advisers on CPMSB's account and affairs,

(hereinafter referred to as "the **Conditions Precedent**") to be fulfilled within one hundred and twenty (120) days from the date of the SSA (hereinafter referred to as "the **Approval Period**").

2.2 Upon the fulfilment of the Conditions Precedent and the receipt by the Vendor of the written confirmation notice of fulfilment, the SSA shall become unconditional. The date of the fulfilment of the Conditions Precedent shall be referred to as "the **Effective Date**".

2.3 In the event any of the Conditions Precedent set out in Clause 2.1 above is not fulfilled by the expiry of the Approval Period, the Approval Period shall automatically be extended for sixty (60) days thereafter (hereinafter referred to as "the **Extended Approval Period**").

In the event any of the Conditions Precedent set out in Clause 2.1 above is not fulfilled by the expiry of the Extended Approval Period, the SSA shall, unless mutually agreed to be extended by the parties, be deemed terminated immediately on expiry of the Extended Approval Period and upon such termination, the Vendor shall within fourteen (14) days refund to LFE the Deposit and any part payment of the Purchase Price, if any, failing which, without prejudice to any rights and remedies LFE may have in law, the Vendor shall pay interest thereon calculated at the rate of six per centum (6%) per annum commencing from the expiry of the said fourteen (14) days period until the date of full refund.

3. Payment of the Purchase Price

3.1 A sum of Ringgit Malaysia Two Million Seven Hundred and Fifty Four Thousand (RM2,754,000-00) Only by way of deposit to account of the Purchase Price (hereinafter referred to as "the **Deposit**") shall be paid by LFE to the Vendor upon the execution of the SSA (the sum of which the Vendor acknowledges receipt).

3.2 The balance of the Purchase Price totaling Ringgit Malaysia Twenty Four Million Seven Hundred and Eighty Six Thousand (RM24,786,000-00) Only (hereinafter referred to as "the **Balance Purchase Price**") shall be paid within Three (3) months from the Effective Date (hereinafter referred to as "the **Completion Date**") in the following manner:-

a. subject to Clause 5.2 below, allotment and issuance of ordinary shares worth Ringgit Malaysia Six Million Five Hundred and Fifty Thousand (RM6,550,000-00) only consist of Sixty Five Million and Five Hundred Thousand (65,500,000) units of ordinary shares of LFE at Ringgit Malaysia Ten cents (RM0.10) only per share in favour of the Vendor and/ or its nominee(s); and

b. A sum of Ringgit Malaysia Eighteen Million Two Hundred and Thirty Six Thousand (RM18,236,000-00) only to the Vendor's solicitors as stakeholder.

All payments in cash term made by LFE to the Vendor's solicitors shall be deemed made to the Vendor and shall be good and sufficient discharge to LFE and payment shall be deemed to be paid by LFE on the day the cheque, banker draft or cashier order for the said amount is received by the said Solicitors or the party concerned PROVIDED THAT the said cheque, banker draft or cashier order is honoured upon first presentation for payment at any bank.

Payment made by way of electronic payment shall be deemed paid on the date of receipt by the payee of a copy of the bank's written notification and/ or remittance advice.

4. Completion

Upon payment of the Balance Purchase Price by LFE in accordance with Clause 3.2 above, the following documents shall be delivered to LFE who is authorised to forthwith deliver to the CPMSB's company secretary to perfect the transfer of the Sale Shares at the sole cost and expense of LFE:-

a. Two (2) sets (in duplicate each) of shares transfer form in respect of the Sale Shares duly executed by the Vendor in favour of LFE and/ or its nominee;

b. Original certificate(s) of the Sale Shares and any other documents which may be required to give good title to the Sale Shares and to enable LFE and/ or its nominees to procure registration of the same in its and/ or its nominee's name;

c. Three (3) sets of undated board resolution of CPMSB (duly certified by a director and secretary) approving the appointment of two (2) representative(s) of LFE as directors of CPMSB;

d. Written instructions from Vendor to CPMSB's company secretary confirming the sale and transfer of the said Shares in favour of LFE.

5. Total Profit Guarantee

5.1 The Vendor agrees, undertakes and warrants that the aggregate PAT for the FYE 31 December 2021 and FYE 31 December 2022 of CPMSB ("**Profit Guarantee Period**") shall be not less RM12.0 million.

5.2 As security for the Total Profit Guarantee, the Vendor agrees that LFE shall issue and deposit the Pledged Shares into the securities account(s) operated by a trustee company appointed by the parties to hold the Pledged Shares ("**Security Stakeholder**").

5.3 The Vendor agrees, covenants and undertakes to maintain during the period commencing the date the Pledged Shares are deposited into the securities accounts up to the adoption of the audited financial statements as at FYE 31 December 2021 of CPMSB by the shareholder(s) of CPMSB such amount of Pledged Shares and any additional securities added thereon ("**Stakeholding Securities**") in the securities account so that the actual total market value of the Stakeholding Securities quoted on Bursa Securities shall not be less than RM6,120,000, being 51.0% of the aggregate Total Profit Guarantee, it being the proportion attributable to LFE ("**Purchaser's Attribution**").

5.4 The aggregate value of the Stakeholding Securities shall be reviewed from time to time with at least 2 calculations made for FYE 31 December 2021, with the first calculation being undertaken within 3 months after the date of listing of the Consideration Shares. In the event that the value of the Stakeholding Securities shall be less than RM6,120,000, being 100.0% of the Purchaser's Attribution amount, the Vendor shall transfer into the securities account such additional securities in order to ensure that the value of the aggregate Stakeholding Securities is no less than such Purchaser's Attribution amount.

5.5 Upon adoption of the audited financial statements as at FYE 31 December 2021 of CPMSB:-

a. The Security Stakeholder shall calculate the value of the Stakeholding Securities based on 5-day VWAP (as quoted by *Bloomberg, Malaysia*) immediately prior to the date of calculation; and

b. In the event there is a PAT based on the audited financial statements as at FYE 31 December 2021 of CPMSB, the Security Stakeholder shall release all security interest over and if required transfer such number of the Stakeholding Securities of up to an amount equivalent in value to 51.0% of the PAT of CPMSB for the FYE 31 December 2021 to the Vendor PROVIDED ALWAYS that the remaining value of the Stakeholding Securities in the securities account shall not be less than 51.0% of the remaining Total Profit Guarantee amount which has not been met. For the avoidance of doubt, no Stakeholding Securities will be released if there is no PAT or CPMSB suffers a loss after tax.

5.6 The value of the Stakeholding Securities shall be reviewed from time to time with at least 2 calculations being made in FYE 31 December 2022, with the first calculation being undertaken within 3 months after the adoption of the audited financial statements FYE 31 December 2021 by CPMSB's shareholders or by 30 June 2021 (whichever is the earlier). In the event that the value of the Stakeholding Securities shall be less than the Purchaser's Attribution amount which is yet to be achieved under Clause 5.5 above, the Vendor shall transfer into the securities account such additional securities in order that the value of the aggregate Stakeholding Securities is no less than such Purchaser's Attribution amount which is yet to be achieved under Clause 5.5 above.

5.7 In the event the aggregated PAT for the FYE 31 December 2021 and FYE 31 December 2022 ("**Total PAT**") is equivalent to or more than the Total Profit Guarantee amount, the Security Stakeholder shall release all security interest over all Stakeholding Securities and where applicable, transfer the said Stakeholding Securities into the CDS accounts of the Vendor. In calculating the Total PAT, if CPMSB suffers loss after tax for any one financial year during the Profit Guarantee Period and makes PAT for the other financial year during the Profit Guarantee Period, such loss after tax shall be net off against the said PAT in arriving at the Total PAT.

5.8 In the event there is a shortfall between the Total PAT and the Total Profit Guarantee ("**Shortfall**"), then the Vendor shall be liable to LFE to fully pay the Purchaser's Attribution of the Shortfall to LFE (being 51% of the Shortfall) ("**Shortfall Attributable to LFE**"), but up to amount of RM6,120,000 only.

5.9 In the event that the Vendor fails to pay the Shortfall Attributable to LFE in full to LFE (but up to the amount of RM6,120,000), LFE shall be entitled and the Vendor authorises LFE to issue a written notice to the Security Stakeholder stating the same and the amount of the Shortfall Attributable to LFE that remains unpaid, whereupon the Security Stakeholder is authorised to sell all or part of the Stakeholding Securities and/ or utilise all or any moneys in the securities account sufficient to cover the said amount.

In the event the proceeds of the sale and monies in the securities account are insufficient to pay all of the Shortfall Attributable to LFE, the Security Stakeholder shall inform the Vendor and LFE in writing of the same and the Vendor shall be liable to pay LFE such differential amounts indicated in such notice within 14 days of such notice.

In carrying out the sale or disposal of the Stakeholding Securities, the Security Stakeholder shall have the full and unfettered discretion to sell them at such quantity, prevailing market prices and tranches (if any) and shall not be responsible for any loss from or cause through any brokers or any loss or depreciation in value of the Stakeholding Securities and shall not be liable to any parties herein however and whatsoever unless it is due to the wilful default, neglect or fraud. Without derogating the generality of the foregoing, the Security Stakeholder shall endeavour but is not obliged to sell or dispose the Stakeholding Securities of the Vendor.

5.10 The Vendor' liability to pay the Shortfall Attributable to LFE shall be up to the aggregate amount of RM6,120,000 only.

5.11 For the avoidance of doubt, the beneficial interest of the Stakeholding Securities remain with the Vendor until the same is disposed in accordance with this Clause 5. Notwithstanding the aforesaid, the Vendor agrees and undertakes not to require any Stakeholding Securities to be released pending its fulfilment of its obligations under this Clause 5.

5.12 In calculating the Total PAT achieved, the Vendor and LFE shall have the discretion to exercise their reasonable discretion to mutually agree upon the manner, circumstances and items which are to be included or excluded in calculating the Total PAT and in the absence of such agreement, the Parties shall appoint an independent third party accounting firm (which may be the auditors of LFE or CPMSB) to conduct a special audit to arrive at the Total PAT, the cost of which shall be borne by CPMSB.

6. Breach / Termination

6.1 If LFE fails neglects or omits to pay any sums payable under Clause 3 within the time stipulated therein, the Vendor shall be entitled forthwith to (if the Vendor does not exercise its rights to the remedy of specific performance) terminate the SSA and in such an event any payment paid by LFE under the SSA shall be dealt with and disposed of as follows:-

a. firstly a sum equivalent to 10% of the Purchase Price shall be forfeited in favour of the Vendor as agreed liquidated damages;

b. secondly any agreed interest already received shall be forfeited in favour of the Vendor as agreed liquidated damages; and

c. lastly any residue thereof shall be refunded to LFE free from interest within 14 days from the date of termination, failing which, without prejudice to any rights and remedies in law, the Vendor shall pay interest thereon calculated at the rate of 6% per annum commencing from the expiry of the said 14 days period until the date of full refund. Upon refund and payment of all interest (if any) neither party hereto shall have any further claims against the other in respect of the SSA and the Vendor shall be entitled to deal with the Sale Shares in such manner and upon such conditions as the Vendor shall deem fit as if the SSA had not been entered into.

6.2 If the Vendor fails breaches any terms, representation, warranty or obligations in the SSA and if capable of remedy fails to remedy the same to the satisfaction of LFE within 14 days of receipt of Purchaser's written notice, or fails to complete the SSA, or goes into liquidation, LFE shall be entitled forthwith to (if LFE does not exercise its rights for specific performance) terminate the SSA and in such an event:-

(i) the Vendor shall return all monies paid towards the Purchase Price and in addition, pay LFE a sum equivalent to 10% of the Purchase Price including any interest received as agreed liquidated damages within 14 days from the date of termination, failing which, without prejudice to any rights and remedies in law, the Vendor shall pay interest thereon calculated at the rate of 6% per annum commencing from the expiry of the said 14 days period until the date of full refund; and

(ii) thereafter neither party hereto shall have any further claims against the other in respect of the SSA and the Vendor shall be entitled to deal with the Sale Shares in such manner and upon such conditions as the Vendor shall deem fit as if the SSA had not been entered into.

7. Indemnity

So long as LFE performs and observes all terms, conditions covenants warranties and undertakings to be performed and observed by LFE under the SSA, the Vendor shall, jointly and severally, indemnify LFE and / or the Security Stakeholder and keep LFE and /or the Security Stakeholder indemnified fully and effectively against all claims, losses, damages, costs, expenses and liabilities whatsoever arising from and/ or against:-

a. any misrepresentation or non-disclosure by the Vendor and/ or breaches of warranty or undertaking on the part of the Vendor;

b. any tax which CPMSB may be liable prior to the SSA for which was not disclosed to CPMSB;

c. any claims, suits or actions, claim for damages instituted by any directors, executives or employees of CPMSB prior to the SSA; and

d. any claims, suits or actions instituted by any creditors after the Completion Date in respect of CPMSB's debts and liabilities not disclosed to LFE.

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 specialises 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 2019 were derived from the following projects:-

Name of project	Project owner	Type/ description/ location of project	Scope of work	Commencement date/ Completion date	Total contract value RM'000
ALWAQF Garden	Maarij Development Sdn Bhd	Mixed residential project/ 206 units of serviced apartments and 294 units of serviced suites/ Kota Bharu, Kelantan	Subcontractor for C&S and M&E works	August 2015/ February 2019	76,429
H Elite Design Hotel	H Elite Hotel (KB) Sdn Bhd	Commercial project/ 279 units of hotel rooms/ Kota Bharu, Kelantan	Subcontractor for M&E and renovation works	April 2019/ December 2019	12,669
Total					**89,098**

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

Name of project	Project owner	Type/ description/ location of project	Scope of work	Date of award	Commencement date/ Expected completion date	Total contract value RM'000	Outstanding order book as at the LPD RM'000
Aman Laut (Phase 1)	Property Builder (Kuala Kedah) Sdn Bhd	Mixed-residential project/ 456 units of service apartments and 87 units of shop offices/ Kuala Kedah, Kedah	Subcontractor for C&S and M&E works	15 June 2020	September 2020/ November 2022	88,836	88,836
AraTre' Residences	Puncakdana Sdn Bhd	Residential project/ 727 units of service apartments/ Ara Damansara, Selangor	Subcontractor for C&S works	10 June 2020	June 2020/ November 2021	70,027	70,027
Total						**158,863**	**158,863**

As illustrated above, CPMSB has a total of 2 on-going projects with a total estimated contract value of RM158.86 million which provides earnings visibility for the next 22 months. For information purposes, CPMSB operations are carried out in Malaysia only and its entire revenue is derived domestically. The raw materials used by CPMSB such as concrete, steel bars, mechanical and electrical materials are sourced locally.

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.

2. SHARE CAPITAL AND SHAREHOLDERS

As at the LPD, the issued share capital of CPMSB was RM750,000 comprising 750,000 CPMSB Shares.

The shareholders of CPMSB and their respective direct and indirect shareholdings in CPMSB as at the LPD is set out as follows:-

Shareholders	Country of incorporation/ Nationality	<-------Direct-------> No. of CPMSB Shares	%	<------Indirect------> No. of CPMSB Shares	%
Vendor	Malaysia	749,998	100.0	-	-
Kharrul Azmi bin Mat Nawi	Malaysian	1	-*1	-	-
Sabariah binti Ahmad	Malaysian	1	-*1	-	-
Audrey Chua Mei Ling	Malaysian	-	-	749,998*2	100.0

Notes:-

*1 *Negligible*

*2 *Deemed interest through the shares held in the Vendor pursuant to Section 8 of the Act*

3. DIRECTORS

The directors of CPMSB and their respective direct and indirect shareholdings as at the LPD are set out as follows:-

Directors	Designation	Nationality	<-------Direct-------> No. of CPMSB Shares	%	<------Indirect------> No. of CPMSB Shares	%
Wong Chin Fong*1	Director	Malaysian	-	-	-	-
Kharrul Azmi bin Mat Nawi*2	Director	Malaysian	1	-*3	-	-

Notes:-

*1 *Being the working director of CPMSB and mainly responsible for overseeing the day-to-day operational matters of CPMSB such as the human resources, accounting and finance, marketing and sales departments*

*2 *Being the working director of CPMSB and mainly responsible for overseeing CPMSB's project related matters such as allocation of project resources (such as project manpower, machinery and purchase of raw materials), reviewing progress reports and dealing with projects stakeholders*

*3 *Negligible*

4. SUBSIDIARY AND ASSOCIATE COMPANIES

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

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

CPMSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of CPMSB is not aware and does not have any 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 contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD.

7. MATERIAL COMMITMENTS

As at the LPD, CPMSB has no material commitments incurred or known to be incurred by CPMSB that has not been provided for, which may have a material impact on the financial results/ position of CPMSB.

8. CONTINGENT LIABILITIES

As at the LPD, CPMSB has no contingent liabilities incurred or known to be incurred by CPMSB, which upon becoming enforceable, may have a material impact on the financial results/ position of CPMSB.

9. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of CPMSB for the past 3 financial years up to the FYE 31 December 2019 as extracted from the Accountants' Report on CPMSB as set out in Appendix III of this Circular is set out below:-

	<---------Audited FYE 31 December--------->		
	2017	**2018**	**2019**
	RM	**RM**	**RM**
Revenue	26,023,784	27,232,330	27,161,280
GP	2,756,337	5,814,915	8,747,755
PBT	1,699,197	5,271,504	7,990,329
PAT	1,356,443	4,140,573	5,950,609
Total Equity/ Shareholders' fund/ NA	6,219,753	10,360,326	16,310,935
Total borrowings	7,968,184	6,849,639	4,644,787
Dividend declared for the financial year	-	-	-
Total issued shares (number)	750,000	750,000	750,000
Current asset	47,466,978	46,862,070	52,759,087
Current liabilities	41,507,607	36,730,991	36,561,909
GP margin (%)	10.59	21.35	32.21
PBT margin (%)	6.53	19.36	29.42
PAT margin (%)	5.21	15.20	21.91
EPS (RM)	1.81	5.52	7.93
NA per share (RM)	8.29	13.81	21.75
Current ratio (times)	1.14	1.28	1.44
Gearing (times)	1.28	0.66	0.28

Commentary on past financial performance:-

For the FYE 31 December 2017 to FYE 31 December 2019, there was no:-

i. exceptional or extraordinary item during the financial years under review;

ii. accounting policy adopted by CPMSB which are peculiar to CPMSB because of the nature of its business or the industry it is involved in; and

iii. audit qualification of the financial statements of CPMSB for the financial years under review.

FYE 31 December 2017 vs FYE 31 December 2016

The revenue of CPMSB for the FYE 31 December 2017 increased by approximately RM8.00 million or 44.40% to RM26.02 million as compared to the FYE 31 December 2016 of approximately RM18.02 million. The increase was mainly due to higher progress billings recognised from the ALWAQF Garden project as the construction stage progressed from the groundwork and basement construction works phase (i.e. ground investigation, site clearance, substructure, ground stabilisation, landscaping, terrain, foundations and underpinning works) to structural works (C&S works) which can be carried out at a faster pace for the aforesaid project during the financial year under review.

The PBT of CPMSB for the FYE 31 December 2017 had increased by approximately RM0.33 million or 24.09% to RM1.70 million as compared to the FYE 31 December 2016 of approximately RM1.37 million. The increase in PBT was mainly due to lower operating expenses incurred mainly attributable to the absence of the one-off ad hoc costs incurred of approximately RM0.66 million during the defect liability period for the first phase of the Golden Triangle project (a mixed-residential project) located at Sungai Ara, Penang during the preceding financial year under review.

FYE 31 December 2018 vs FYE 31 December 2017

The revenue of CPMSB for the FYE 31 December 2018 increased by approximately RM1.21 million or 4.65% to RM27.23 million as compared to the FYE 31 December 2017 of approximately RM26.02 million. The increase was mainly due to higher progress billings recognised from the ALWAQF Garden project due to the advancement of the progress for the M&E works which involved the installation of mechanical and electrical systems such as the building control systems, energy supply, fire safety, detection and protection system following the near completion of the C&S works for the aforesaid project during the financial year under review.

The PBT of CPMSB for the FYE 31 December 2018 had increased by approximately RM3.57 million or 210.00% to RM5.27 million as compared to the FYE 31 December 2017 of approximately RM1.70 million. The increase in PBT was mainly due to higher gross profit recorded in tandem with the increase in revenue recorded coupled with lower project costs incurred as lesser raw materials were purchased due to the near completion of the ALWAQF Garden project during the financial year under review.

FYE 31 December 2019 vs FYE 31 December 2018

The revenue of CPMSB for the FYE 31 December 2019 decreased by approximately RM0.07 million or 0.26% to RM27.16 million as compared to the FYE 31 December 2018 of approximately RM27.23 million. The decrease was mainly due to lower progress billings recognised from the ALWAQF Garden project as it was completed in February 2019.

The PBT of CPMSB for the FYE 31 December 2019 had increased by approximately RM2.72 million or 51.61% to RM7.99 million as compared to the FYE 31 December 2018 of approximately RM5.27 million. The increase in PBT was mainly due to higher gross profit recorded from the H Elite Design Hotel project mainly attributable to higher premium charge to the H Elite Design Hotel as the said project required tailor-made design with a shorter construction period during the financial year under review.

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31 December 2020

Dear Sirs,

ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS OF COSMO PROPERTY MANAGEMENT SDN. BHD.

Opinion

We have audited the financial statements of COSMO PROPERTY MANAGEMENT SDN. BHD. ("Company"), which comprise the statement of financial position as at 31 December 2017, 31 December 2018 and 31 December 2019 of the Company, 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 each of the financial years then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 59. This report has been prepared in connection with the proposed acquisition of 382,500 ordinary shares, representing 51% equity interest in the Company for a purchase consideration of RM27,540,000 to be satisfied via a combination of RM20,990,000 in cash and RM6,550,000 via the issuance of 65,500,000 new shares in LFE Corporation Berhad at an issue price of RM0.10 per Share.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 31 December 2018 and 31 December 2019, and of its financial performance and its cash flows for each of the financial years then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards.

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 Accountant's *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.

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ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS OF COSMO PROPERTY MANAGEMENT SDN. BHD. (cont'd)

Independence and Other Ethical Requirements

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 IESBA Code.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards. 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 has no realistic alternative but to do so.

Accountant's 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 a 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.

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ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS OF COSMO PROPERTY MANAGEMENT SDN. BHD. (cont'd)

Accountant's Responsibilities for the Audit of the Financial Statements (cont'd)

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 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 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 of the Company represent the underlying transactions and events in a manner that achieve fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements of the Company. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS OF COSMO PROPERTY MANAGEMENT SDN. BHD. (cont'd)

Accountant's Responsibilities for the Audit of the Financial Statements (cont'd)

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.

Other Reporting Responsibility

There are no significant subsequent events have come to our attention since 13 May 2020, the reporting date of the most recent audited financial statements of the Company to the date of this report, that would require a material disclosure or adjustment to be made to the financial statements.

Restriction on Distribution and Use

This report is made solely to the Board of Directors of LFE Corporation Berhad, as a body, and for inclusion in the Circular to Shareholders to be issued in relation to the proposed acquisition of 382,500 ordinary shares, representing 51% equity interest in the Company and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

LIM WAN YINN
Approved Number: 03262/04/2021 J
Chartered Accountant

KUALA LUMPUR

31 December 2020

Registration No. 201001030059 (913979 - V)

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Restated 1.1.2017 RM	Restated 31.12.2017 RM	Restated 31.12.2018 RM	Restated 31.12.2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	410,985	297,223	389,122	231,908
Current assets					
Contract assets	5	-	-	3,700,830	3,174,708
Trade receivables	6	22,234,609	27,402,851	19,262,464	24,617,866
Other receivables	7	1,990,703	12,522,976	14,721,093	17,171,649
Amount owing by holding company	8	-	7,500,000	7,500,000	7,500,000
Cash and bank balances		143,070	41,151	1,677,683	294,864
		24,368,382	47,466,978	46,862,070	52,759,087
Total assets		24,779,367	47,764,201	47,251,192	52,990,995
EQUITY AND LIABILITIES					
EQUITY					
Share capital	9	750,000	750,000	750,000	750,000
Retained profit		4,113,310	5,469,753	9,610,326	15,560,935
Total equity		4,863,310	6,219,753	10,360,326	16,310,935

Registration No. 201001030059 (913979 - V)

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONT'D)

	Note	Restated 1.1.2017 RM	Restated 31.12.2017 RM	Restated 31.12.2018 RM	Restated 31.12.2019 RM
LIABILITIES					
Non-current liability					
Lease liabilities	10	106,269	27,155	146,690	109,495
Deferred tax liabilities	11	6,835	9,686	13,185	8,656
		113,104	36,841	159,875	118,151
Current liabilities					
Contract liabilities	5	33,239	64,805	-	-
Trade payables	12	5,590,507	8,055,620	9,067,415	7,067,509
Other payables and accruals	13	6,700,396	25,242,664	20,196,476	23,297,418
Amount owing to holding company	8	41,373	-	-	-
Current tax liability		226,284	97,220	555,222	1,515,000
Lease liabilities	10	75,588	79,114	62,239	37,195
Bank borrowings	14	7,135,566	7,968,184	6,849,639	4,644,787
Total Current Liabilities		19,802,953	41,507,607	36,730,991	36,561,909
Total liabilities		19,916,057	41,544,448	36,890,866	36,680,060
Total equity and liabilities		24,779,367	47,764,201	47,251,192	52,990,995

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

Registration No. 201001030059 (913979 - V)

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Restated 2017 RM	Restated 2018 RM	Restated 2019 RM
Revenue	15	26,023,784	27,232,330	27,161,280
Cost of sales	16	(23,267,447)	(21,417,415)	(18,413,525)
Gross profit		2,756,337	5,814,915	8,747,755
Other income		385,323	383,145	63,857
Net gain/(loss) on impairment of financial assets		89	92,965	(58,248)
Administrative expenses		(3,817)	(3,531)	(3,297)
Other operating expenses		(977,113)	(544,363)	(417,524)
Profit from operation		2,160,819	5,743,131	8,332,543
Finance costs	17	(461,622)	(471,627)	(342,214)
Profit before tax	18	1,699,197	5,271,504	7,990,329
Taxation	19	(342,754)	(1,130,931)	(2,039,720)
Net profit for the financial year, representing total comprehensive income for the financial year		1,356,443	4,140,573	5,950,609

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 2019

	Note	Share capital RM	Retained profit RM	Total equity RM
As at 1 January 2017				
- as previously reported		750,000	4,593,111	5,343,111
- effect of transition from MPERS to MFRS	24	-	(479,801)	(479,801)
- as restated		750,000	4,113,310	4,863,310
Net profit for the financial year, representing total comprehensive income for the financial year		-	1,356,443	1,356,443
At 31 December 2017		750,000	5,469,753	6,219,753
As at 1 January 2018		750,000	5,469,753	6,219,753
Net profit for the financial year, representing total comprehensive income for the financial year		-	4,140,573	4,140,573
At 31 December 2018		750,000	9,610,326	10,360,326
As at 1 January 2019		750,000	9,610,326	10,360,326
Net profit for the financial year, representing total comprehensive income for the financial year		-	5,950,609	5,950,609
At 31 December 2019		750,000	15,560,935	16,310,935

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 CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Restated 2017 RM	Restated 2018 RM	Restated 2019 RM
Cash flows from operating activities			
Profit before tax	1,699,197	5,271,504	7,990,329
Adjustments for:			
Depreciation of property, plant and equipment	113,762	127,925	157,214
Net (gain)/loss on impairment of financial assets	(89)	(92,965)	58,248
Interest expenses	461,622	471,627	342,214
Operating profit before working capital changes	2,274,492	5,778,091	8,548,005
Changes in working capital:			
Receivables	(23,200,427)	2,334,405	(7,338,084)
Payables	20,997,574	(4,099,198)	1,101,036
	(2,202,853)	(1,764,793)	(6,237,048)
Cash generated from operations	71,639	4,013,298	2,310,957
Tax paid	(468,966)	(669,430)	(1,084,471)
Interest paid	(461,622)	(471,627)	(342,214)
	(930,588)	(1,141,057)	(1,426,685)
Net cash (used in)/generated from operating activities	(858,949)	2,872,241	884,272
Cash Flows From Investing Activity			
Purchase of property, plant and equipment	-	(26,824)	-
Net cash used in investing activity	-	(26,824)	-
Cash flows from financing activities			
Net proceeds from/(repayment of) bankers' acceptance	41,049	(1,131,191)	(136,977)
Repayment of lease liabilities	(75,588)	(90,340)	(62,239)
Net cash used in financing activities	(34,539)	(1,221,531)	(199,216)

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Restated 2017 RM	Restated 2018 RM	Restated 2019 RM
Net (decrease)/increase in cash and cash equivalents	(893,488)	1,623,886	685,056
Cash and cash equivalents at the beginning of the financial year	(3,030,846)	(3,924,334)	(2,300,448)
Cash and cash equivalents at the end of the financial year	(3,924,334)	(2,300,448)	(1,615,392)
Cash and cash equivalents at the end of the financial year comprises:			
Cash and bank balances	41,151	1,677,683	294,864
Bank overdraft	(3,965,485)	(3,978,131)	(1,910,256)
Cash and cash equivalents	(3,924,334)	(2,300,448)	(1,615,392)

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
31 DECEMBER 2019

1. **Corporate Information**

The Company is a private limited liability company, incorporated and domiciled in Malaysia under the Companies Act, 2016 Malaysia.

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

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

The Company is principally engaged in the provision of construction works and project management. There has been no significant change in the nature of this activity during the financial year.

The directors regard Resolute Accomplishment Sdn. Bhd., a company incorporated in Malaysia, as the Company's ultimate holding company.

2. **Basis of Preparation**

(a) Statement of compliance

The Accountant's Report for the financial statements of the Company for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 is prepared for inclusion in the Circular to Shareholders to be issued in relation to the proposed acquisition of 382,500 ordinary shares, representing 51% equity interest in the Company

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards issued by the Malaysian Accounting Standards Board ("MASB"). These financial statements incorporate the financial information included in the audited financial statements on the entities for the respective financial years, restated where applicable to comply with the requirements of MFRS and IFRS.

The financial statements of the Company for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 for statutory purposes were prepared in accordance with Malaysian Private Entities Reporting Standards ("MPERS") in Malaysia.

Registration No. 201001030059 (913979 - V)

2. **Basis of Preparation (cont'd)**

(a) Statement of compliance (cont'd)

For the purpose of this Accountant's Report, the financial statements for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 have been prepared in accordance with Malaysian Financial Reporting Standards and MFRSs 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

The Company has consistently applied the same accounting policies in its opening MPERS statement of financial position as at 1 January 2017 (date of transition) and throughout all financial years presented, as if these policies had always been in effect.

The Company has opted to early adopt the applications of Annual Improvements to MFRS Standards 2014-2016 Cycle, Annual Improvements to MFRS Standards 2015–2017 Cycle, MFRS 9, MFRS 15 and MFRS 16 in its opening MPERS statement of financial position as at 1 January 2017 (date of transition) and throughout all financial years presented. The impact of the transition to MFRS and the early adoption of the MFRS is disclosed in Note 24 to the financial statements.

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies.

Standards issued and effective

The Company has applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB and effective for the Company:

Annual Improvements to MFRSs 2012–2014 Cycle

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 9	Financial Instruments
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 14	Regulatory Deferral Accounts
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases

2. **Basis of Preparation (cont'd)**

(a) Statement of compliance (cont'd)

Standards issued and effective (cont'd)

MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events after the Reporting Period
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 132	Financial instruments: Presentation
MFRS 133	Earnings per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture

Standards issued but not yet effective

The Company has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101, MFRS 108	Definition of Material

2. **Basis of Preparation (cont'd)**

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

Amendment to MFRS 16	Covid-19-Related Rent Concessions

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 17 August 2020

Amendment to MFRS 4	Extension of the Temporary Exemption from applying MFRS 9
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current - Deferral of Effective Date

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

MFRS 1, Amendments to MFRS 9, MFRS 16	Annual Improvements to MFRS Standards 2018–2020
Amendment to MFRS 3	Reference to the Conceptual Framework
Amendment to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use

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2. **Basis of Preparation (cont'd)**

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendment to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company intends to adopt the above MFRSs when they become effective.

The initial application of the above-mentioned MFRSs are not expected to have any significant impacts on the financial statements of the Company.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

2. **Basis of Preparation (cont'd)**

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Judgements and assumptions applied

In the selection of accounting policies for the Company, there is no significant area that requires the application of judgements and assumptions which may have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment and right-of-use ("ROU") asset

The Company regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets.

2. **Basis of Preparation (cont'd)**

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Revenue from construction contracts

Revenue is recognised when the control of the asset is transferred to the customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, the Company recognises revenue and costs from construction contract over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measure based on the proportion of costs incurred for work performed up to end of the reporting period as a percentage of the estimated total costs of the contract.

Significant judgement is used to estimate these total construction costs to complete the contracts. In making these estimates, management relies on past experience, the work of specialists and a continuous monitoring mechanism.

The carrying amount of assets and liabilities of the Company arising from construction activities are disclosed in Note 5.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

3. **Significant Accounting Policies**

The Company applies the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. The policy of recognition and measurement of impairment losses is in accordance with Note 3(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. **Significant Accounting Policies (cont'd)**

(a) Property, plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Computer	5 years
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	10 years
Scaffolding	5 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. **Significant Accounting Policies (cont'd)**

(b) Leases

(i) As lessee

The Company recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Motor vehicles	5 years

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Company is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

3. **Significant Accounting Policies (cont'd)**

(b) Leases (cont'd)

(i) As lessee (cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(ii) As lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Company applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease.

The Company recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. **Significant Accounting Policies (cont'd)**

(c) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition, and the categories include trade and other receivables and fixed deposits with licensed bank and cash and bank balances.

(a) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

3. **Significant Accounting Policies (cont'd)**

(d) Financial liabilities

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(e) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

Liabilities arising from financial guarantees are presented together with other provisions.

3. **Significant Accounting Policies (cont'd)**

(f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(g) Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. The Company's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Company has received the consideration or has billed the customers. The Company's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Company performs its obligation under the contracts.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and bank overdraft that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3. **Significant Accounting Policies (cont'd)**

(i) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and accrued billings) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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 of disposal. 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.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

In respect of other assets, 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 only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3. **Significant Accounting Policies (cont'd)**

(i) Impairment of assets (cont'd)

(ii) Financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables, contract assets and inter-company balances, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. **Significant Accounting Policies (cont'd)**

(j) Share capital

Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(k) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Company satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. Hence, it is accounted for as a single performance obligation.

Revenue and profits for construction contracts are recognised over time when the contract customer of the construction contracts simultaneously receives and consumes the benefits provided as the construction service progress, and the construction service relates to the creation or enhancement of an asset or a combination of assets which the customer controls and the construction service does 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.

3. **Significant Accounting Policies (cont'd)**

(k) Revenue recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

Construction contracts (cont'd)

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. The stage of completion of a construction contract is determined based on the proportion that the contract costs incurred for work performed to-date bear to the estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Variation claim gives rise to a variable consideration which are estimated at either the expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not be reversed. No element of financing is deemed present as the payment schedule and credit term of 30 days is consistent with the market practice.

The customer pays according to the progress claim submitted to them based on the progress of the construction measured over time. If the construction services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised. Further details on the accounting policy of contract assets and contract liability are disclosed in Note 3(g) to the financial statements.

3. **Significant Accounting Policies (cont'd)**

(k) Revenue recognition (cont'd)

(ii) Revenue from other sources

Interest income

Interest income is recognised on accruals basis using the effective interest method.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms, unless collection is in doubt, in which case, rental income might be recognised on a receipt basis. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(l) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the 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., until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

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.

3. **Significant Accounting Policies (cont'd)**

(m) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial period in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(n) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

3. **Significant Accounting Policies (cont'd)**

(n) Income taxes (cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) 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 reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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.

3. **Significant Accounting Policies (cont'd)**

(p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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4. Property, plant and equipment

	Computer RM	Furniture and Fittings RM	Motor vehicles - ROU RM	Office equipment RM	Scaffolding RM	Total RM
Cost						
At 1 January 2017	108,673	9,700	335,888	6,063	222,601	682,925
Addition	-	-	-	-	-	-
At 31 December 2017 / At 1 January 2018	108,673	9,700	335,888	6,063	222,601	682,925
Addition	-	-	219,575	249	-	219,824
At 31 December 2018 / At 1 January 2019	108,673	9,700	555,463	6,312	222,601	902,749
Addition	-	-	-	-	-	-
At 31 December 2019	108,673	9,700	555,463	6,312	222,601	902,749
Accumulated depreciation						
At 1 January 2017	108,185	5,588	111,963	1,684	44,520	271,940
Charge for the financial year	488	970	67,178	606	44,520	113,762
At 31 December 2017 / At 1 January 2018	108,673	6,558	179,141	2,290	89,040	385,702
Charge for the financial year	-	970	81,816	619	44,520	127,925
At 31 December 2018 / At 1 January 2019	108,673	7,528	260,957	2,909	133,560	513,627
Charge for the financial year	-	970	111,093	631	44,520	157,214
At 31 December 2019	108,673	8,498	372,050	3,540	178,080	670,841
Carrying amount						
At 1 January 2017	488	4,112	223,925	4,379	178,081	410,985
At 31 December 2017	-	3,142	156,747	3,773	133,561	297,223
At 31 December 2018	-	2,172	294,506	3,403	89,041	389,122
At 31 December 2019	-	1,202	183,413	2,772	44,521	231,908

4. **Property, plant and equipment (Cont'd)**

Additions of property, plant and equipment during the financial year consist of the following :-

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
By way of cash consideration	-	26,824	-
By mean of lease arrangement	-	193,000	-
	-	219,824	-

Included in the carrying amount of property, plant and equipment are the following ROU asset acquired under lease liability arrangement :-

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Motor vehicles	223,925	156,747	294,506	183,413

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5. **Contract assets**

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Construction in progress, at cost				
Balance brought forward	11,057,275	19,842,865	43,110,312	64,527,727
Additions during the financial year	15,121,617	23,267,447	21,417,415	5,607,153
Balance carried forward	26,178,892	43,110,312	64,527,727	70,134,880
Add : Profit recognised on construction projects				
Balance brought forward	1,222,083	1,961,054	4,717,390	10,532,305
Additions	2,976,264	2,756,336	5,814,915	929,256
Balance carried forward	4,198,347	4,717,390	10,532,305	11,461,561
	30,377,239	47,827,702	75,060,032	81,596,441
Less : Reversal of completed project	(8,573,320)	-	-	-
	21,803,919	47,827,702	75,060,032	81,596,441
Less : Progress billings				
Balance brought forward	(13,071,305)	(21,837,158)	(47,892,507)	(71,359,202)
Additions during the financial year	(17,339,173)	(26,055,349)	(23,466,695)	(7,062,531)
Balance carried forward	(30,410,478)	(47,892,507)	(71,359,202)	(78,421,733)
Less : Reversal of completed project	8,573,320	-	-	-
	(21,837,158)	(47,892,507)	(71,359,202)	(78,421,733)
	(33,239)	(64,805)	3,700,830	3,174,708
Represented by :-				
Amounts due to customers	(33,239)	(64,805)	-	-
Amounts due from customers	-	-	3,700,830	3,174,708

5. **Contract assets (cont'd)**

The contract assets primarily relate to the Company's rights to consideration for work performed but not yet billed at the reporting date for its construction activities. The contract assets will be transferred to trade receivables when the rights become unconditional.

Contract assets are the rights to considerations for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue recognised over the billings to date. Contract assets are stated at cost less accumulated impairment.

Contract liabilities are the obligations to transfer goods or services to customer for which the Company has received the consideration in advance or has billed the customers. In the case of construction contracts, contract liabilities are the excess of the billings to date over the cumulative revenue recognised. The contract liabilities as expected to be recognised as revenue over a period of 90 days.

6. **Trade receivables**

	Restated 1.1.2017 RM	Restated 31.12.2017 RM	Restated 31.12.2018 RM	Restated 31.12.2019 RM
Trade receivables	18,850,619	20,658,064	12,088,380	17,643,641
Retention sums	3,863,791	7,224,499	7,560,831	7,419,220
	22,714,410	27,882,563	19,649,211	25,062,861
Less: Impairment losses	(479,801)	(479,712)	(386,747)	(444,995)
Total trade receivables	22,234,609	27,402,851	19,262,464	24,617,866

Trade receivables are non-interest bearing and are generally on 30 days term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The aged analysis of trade receivables and contract assets as at the end of the reporting period:

	Gross Amount RM	Loss Allowance RM	Net Amount RM
1.1.2017			
Neither past due nor impaired	2,512,377	-	2,512,377
Past due not impaired:			
Less than 30 days	-	-	-
31 to 60 days	4,545,281	107,951	4,437,330
61 to 90 days	-	-	-
More than 90 days	15,656,752	371,850	15,284,902
	20,202,033	479,801	19,722,232
	22,714,410	479,801	22,234,609
Credit impaired:			
More than 90 days	-	-	-
	22,714,410	479,801	22,234,609

6. **Trade receivables (Cont'd)**

The aged analysis of trade receivables and contract assets as at the end of the reporting period: (cont'd)

	Gross Amount RM	Loss Allowance RM	Net Amount RM
31.12.2017			
Neither past due nor impaired	6,073,842	-	6,073,842
Past due not impaired:			
Less than 30 days	7,186,195	158,070	7,028,125
31 to 60 days	-	-	-
61 to 90 days	4,651,819	102,323	4,549,496
More than 90 days	9,970,707	219,319	9,751,388
	21,808,721	479,712	21,329,009
	27,882,563	479,712	27,402,851
Credit impaired:			
More than 90 days	-	-	-
	27,882,563	479,712	27,402,851

	Gross Amount RM	Loss Allowance RM	Net Amount RM
31.12.2018			
Neither past due nor impaired	5,510,893	-	5,510,893
Past due not impaired:			
Less than 30 days	31,929	873	31,056
31 to 60 days	205,949	5,634	200,315
61 to 90 days	31,929	873	31,056
More than 90 days	13,868,512	379,367	13,489,145
	14,138,318	386,747	13,751,571
	19,649,211	386,747	19,262,464
Credit impaired:			
More than 90 days	-	-	-
	19,649,211	386,747	19,262,464

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6. **Trade receivables (Cont'd)**

The aged analysis of trade receivables and contract assets as at the end of the reporting period: (cont'd)

	Gross Amount RM	Loss Allowance RM	Net Amount RM
31.12.2019			
Neither past due nor impaired	9,844,637	-	9,844,637
Past due not impaired:			
Less than 30 days	2,048,025	59,886	1,988,139
31 to 60 days	2,049,400	59,926	1,989,474
61 to 90 days	-	-	-
More than 90 days	11,120,799	325,183	10,795,616
	15,218,224	444,995	14,773,229
	25,062,861	444,995	24,617,866
Credit impaired:			
More than 90 days	-	-	-
	25,062,861	444,995	24,617,866

Trade receivables in relation to construction business that are neither past due nor impaired arising from rendering of construction services to external parties with no history of default and a good collection track record with the Company. These receivables include retention sums which are to be settled in accordance with the terms of the respective contracts.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses. The Company considers credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

7. **Other receivables**

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Other receivables				
- Related parties	50,178	40,755	2,735,547	2,748,871
- Third parties	1,909,234	12,463,721	11,963,382	14,400,374
	1,959,412	12,504,476	14,698,929	17,149,245
Deposits	18,500	18,500	18,500	18,500
Prepayments	12,791	-	3,664	3,904
	1,990,703	12,522,976	14,721,093	17,171,649

Related parties refer to companies in which the directors have substantial direct financial interests or significant influence as key management personnel. The amounts owing by related parties are unsecured, interest free and repayable on demand.

8. **Amount owing by/(to) holding company**

The amount owing by/(to) ultimate holding company is unsecured, interest free and repayable/(payable) on demand.

9. **Share capital**

	31.12.2017 Units	31.12.2018 Units	31.12.2019 Units
Issued and fully paid			
At 1 January / 31 Dece	750,000	750,000	750,000

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Issued and fully paid			
At 1 January / 31 Dece	750,000	750,000	750,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

10. **Lease liabilities**

	2017 RM	2018 RM	2019 RM
At 1 January	181,857	106,269	208,929
Addition	-	193,000	-
Repayments	(75,588)	(90,340)	(62,239)
At 31 December	106,269	208,929	146,690
Presented as:			
Non-current	27,155	146,690	109,495
Current	79,114	62,239	37,195
	106,269	208,929	146,690

The maturity analysis of the Company at the end of the reporting period:

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Within one year	82,200	82,200	71,368	43,968
After one to five years	109,600	27,400	161,203	117,235
	191,800	109,600	232,571	161,203
Less : Future finance charges	(9,943)	(3,331)	(23,642)	(14,513)
	181,857	106,269	208,929	146,690
Less : Amount repayable within the next twelve month	(75,588)	(79,114)	(62,239)	(37,195)
Amount repayable after the next twelve months	106,269	27,155	146,690	109,495

The annual effective interest rates of the finance lease liabilities ranging from 4.56% to 5.24% per annum. The lease liability is obtained under a third party's name.

11. **Deferred tax liabilities**

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Balance brought forward	(7,477)	6,835	9,686	13,185
Over provision of deferred tax liabilities in prior financial year	-	5,994	(448)	(830)
Deferred tax expense/ (benefit) relating to the reversal and origination of temporary differences	14,312	(2,467)	4,723	(3,699)
Effect on deferred tax resulting from reduction in income rate	-	(676)	(776)	-
Balance carried forward	6,835	9,686	13,185	8,656

Tax effects of temporary differences arising from :-

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Cumulative temporary differences between capital allowances and depreciation	6,835	9,686	13,185	8,656

12. **Trade payables**

Credit terms of trade payables of the Company ranged from 30 to 90 days depending on the terms of the contracts.

13. Other payables

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Other payables	5,445,016	25,222,417	20,150,697	20,057,045
Accruals	1,255,380	20,247	45,779	3,240,373
	6,700,396	25,242,664	20,196,476	23,297,418

14. Loans and borrowings

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Bank overdraft	3,173,916	3,965,485	3,978,131	1,910,256
Bankers' acceptance	3,961,650	4,002,699	2,871,508	2,734,531
	7,135,566	7,968,184	6,849,639	4,644,787

The bank borrowings are secured by the following:

(i) Legal charge over a thirty party's property;

(ii) Jointly and several guarantees by the directors and a third party; and

(iii) Corporate guarantee by immediate holding company.

Ranges of interest rates per annum are as follows:

	1.1.2017	31.12.2017	31.12.2018	31.12.2019
Bank overdraft	8.35%	8.35%	8.35%	8.35%
Bankers' acceptance	4.09%-4.34%	4.09%-4.34%	4.09%-4.34%	4.09%-4.34%

15. **Revenue**

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Proportionate value of construction works performed	26,023,784	27,232,330	6,536,409
Other construction works completed	-	-	20,624,871
	26,023,784	27,232,330	27,161,280

The timing of revenue recognition is over time.

16. **Cost of sales**

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Proportionate cost of contruction works performed	23,267,447	21,417,415	5,607,153
Other construction works completed	-	-	12,806,372
	23,267,447	21,417,415	18,413,525

17. **Finance costs**

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Interests on :-			
- Bank overdraft	272,692	279,015	179,891
- Bankers' acceptance	182,318	186,096	153,015
- Lease liabilities	6,612	6,516	9,308
	461,622	471,627	342,214

18. **Profit before tax**

Profit before tax is determined after charging/(crediting) amongst others, the following items:

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
The following items have been charged / (credited) in arriving at profit from operations :-			
Auditors' remuneration	12,000	12,000	12,000
Depreciation of property, plant and equipment	113,762	127,925	157,214
Net gain/(loss) on impairment of financial assets	89	92,965	(58,248)
Short term lease expense of :-			
- Printer	442	-	-
Staff costs :-			
- Salaries and other related costs	499,965	220,574	65,867
- EPF contribution	32,110	14,513	6,480
Rental income	(383,144)	(383,145)	(63,857)

19. **Taxation**

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Current year's taxation	360,970	1,055,222	1,940,000
Under provision of deferred tax liabilities in prior financial year	5,994	(448)	(830)
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	(2,467)	4,723	(3,699)
Effect on opening deferred tax resulting from reduction in income tax rate	(676)	(776)	-
(Over) / Under provision of taxation in prior financial year	(21,067)	72,210	104,249
	342,754	1,130,931	2,039,720

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19. **Taxation (cont'd)**

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

	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
Profit before taxation	1,699,108	5,178,539	8,048,577
Tax expense at current income tax rates of:			
-18%	90,000	90,000	85,000
-24%	287,786	1,122,849	1,811,658
Tax effect of non-deductible expenses	25,562	31,286	16,183
Tax effect of difference in income tax rate of Small and Medium Enterprise ("SME")	(4,203)	(39,407)	23,460
(Over)/Under provision in prior financial year:			
- taxation	(21,067)	72,210	104,249
- deferred tax liabilities	5,994	(448)	(830)
Tax benefit from exemption based on incremental chargeable business income	(40,642)	(144,783)	-
Effect on opening deferred tax resulting from reduction in income tax rate	(676)	(776)	-
	342,754	1,130,931	2,039,720

With effect from year of assessment 2017, the income tax rate for Small and Medium Enterprise ("SME") is reduced to 18% for the first RM 500,000 chargeable income and statutory tax rate of 24% for the subsequent chargeable income.

Pursuant to the Income Tax (Exemption) (No. 2) Order 2017, the reduction of income tax rate from 1% to 4% on chargeable income exceeding RM 500,000 for the years of assessment 2017 and 2018 for SME is based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment.

20. **Related party disclosures**

(a) Identifying related parties

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 or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 comprise the Directors and management personnel of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company entities directly or indirectly.

The holding company is Resolute Accomplishment Sdn. Bhd. (incorporated and domiciled in Malaysia), who owns 99.99% of the Company's ordinary shares.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Notes 7 and 8 to the financial statements, the significant related party transactions of the Company are as follows:

	2017 RM	2018 RM	2019 RM
Transactions with related parties:			
Advance to	1,783	2,705,234	13,325
Repayment to	11,186	10,462	-
Transactions with holding company:			
Repayment to	41,373	-	-
Advance to	7,500,000	-	-

(c) The Company does not have any key management compensation during the financial year.

21. Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities of the Company arising from financing activities, including both cash and non-cash changes:

	At 1.1.2017 RM	Financing cash flows RM	At 31.12.2017 / 1.1.2018 RM	New financing lease payable RM	Financing cash flows RM	At 31.12.2018 / 1.1.2019 RM	Financing cash flows RM	At 31.12.2019 RM
Bank borrowings	3,961,650	41,049	4,002,699	-	(1,131,191)	2,871,508	(136,977)	2,734,531
Lease liabilities	181,857	(75,588)	106,269	193,000	(90,340)	208,929	(62,239)	146,690
	4,143,507	(34,539)	4,108,968	193,000	(1,221,531)	3,080,437	(199,216)	2,881,221

22. **Financial instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	1.1.2017 RM	31.12.2017 RM	31.12.2018 RM	31.12.2019 RM
At amortised cost				
Financial assets				
Trade receivables	22,234,609	27,402,851	19,262,464	24,617,866
Other receivables	1,977,912	12,314,150	14,534,711	17,092,702
Amount owing by holding company	-	7,500,000	7,500,000	7,500,000
Cash and bank balances	143,070	41,151	1,677,683	294,864
Total	24,355,591	47,258,152	42,974,858	49,505,432
At amortised cost				
Financial liabilities				
Trade payables	5,590,507	8,055,620	9,067,415	7,067,509
Other payables	6,653,886	25,242,664	20,196,476	23,297,418
Amount owing to holding company	41,373	-	-	-
Lease liability	181,857	106,269	208,929	146,690
Bank borrowings	7,135,566	7,968,184	6,849,639	4,644,787
Total	19,603,189	41,372,737	36,322,459	35,156,404

22. **Financial instruments (cont'd)**

(b) Financial risk management objectives and policies

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 credit and liquidity risks. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers, advances to holding companies and deposits with banks and financial institutions.

The Company has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The gross carrying amounts of credit impaired trade and other receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade and other receivables that are written off could still be subject to enforcement activities.

The Company considers advances to holding company have low credit risk because there is no indication of any going concern from holding company.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the financial year represent the Company's maximum exposure to credit risk.

22. **Financial instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(i) Credit risk (cont'd)

Credit risk concentration profile

The Company has significant concentration of credit risk on trade receivables in relation to the amount due by 2 (31.12.2017: 2, 31.12.2018: 2, 31.12.2019: 2) customers as follows :-

	1.1.2017 RM	**31.12.2017 RM**	**31.12.2018 RM**	**31.12.2019 RM**
Receivables	22,714,409	27,618,045	18,923,314	17,058,224
% of total	100%	99%	96%	68%

(ii) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Company finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

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22. **Financial instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	On demand or within 1 year RM	1 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Non-derivative financial liabilities				
1.1.2017				
Trade payables	5,590,507	-	5,590,507	5,590,507
Other payables and accruals	6,653,886	-	6,653,886	6,653,886
Amount owing to holding company	41,373	-	41,373	41,373
Lease liability	82,200	109,600	191,800	181,857
Bank borrowings	7,135,566	-	7,135,566	7,135,566
Total undiscounted financial liabilities	19,503,532	109,600	19,613,132	19,603,189

22. **Financial instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	1 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
31.12.2017				
Trade payables	8,055,620	-	8,055,620	8,055,620
Other payables and accruals	25,242,664	-	25,242,664	25,242,664
Lease liability	82,200	27,400	109,600	106,269
Bank borrowings	7,968,184	-	7,968,184	7,968,184
Total undiscounted financial liabilities	41,348,668	27,400	41,376,068	41,372,737
31.12.2018				
Trade payables	9,067,415	-	9,067,415	9,067,415
Other payables and accruals	20,196,476	-	20,196,476	20,196,476
Lease liability	71,368	161,203	232,571	208,929
Bank borrowings	6,849,639	-	6,849,639	6,849,639
Total undiscounted financial liabilities	36,184,898	161,203	36,346,101	36,322,459

22. **Financial instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	1 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
31.12.2019				
Trade payables	7,067,509	-	7,067,509	7,067,509
Other payables and accruals	23,297,418	-	23,297,418	23,297,418
Lease liability	43,968	117,235	161,203	146,690
Bank borrrowings	4,644,787	-	4,644,787	4,644,787
Total undiscounted financial liabilities	35,053,682	117,235	35,170,917	35,156,404

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22. **Financial instruments (cont'd)**

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

23. **Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital using a gearing ratio. The Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	1.1.2017 RM	**31.12.2017 RM**	**31.12.2018 RM**	**31.12.2019 RM**
Bank borrowings	7,135,566	7,968,184	6,849,639	4,644,787
Less: cash and bank balances	(143,070)	(41,151)	(1,677,683)	(294,864)
Net debts	6,992,496	7,927,033	5,171,956	4,349,923
Total equity	4,863,310	6,219,753	10,360,326	16,310,935
Gearing ratio	144%	127%	50%	27%

There were no changes in the Company's approach to capital management during the financial year.

24. **Effects of transition from MPERS to MFRS**

The financial statements for the financial year ended 31 December 2017, 31 December 2018 and 31 December 2019 were prepared in accordance with MPERS. Upon the migration to MFRS and adoption of MFRS 1, the Company has consistently applied the same accounting policies in its opening MFRS statement of financial position at the date of transition, 1 January 2017, and throughout all periods presented, as if these policies had always been in effect. Accordingly, these financial statements have been restated to give effect to these changes. The impact of the transition to MFRS on the Company's reported financial position, financial performance and cash flows is disclosed as below:

MFRS 1 mandatory exception

Impairment of financial assets

Impairment requirements in MFRS 9 are applied retrospectively for debt instruments measured at amortised cost. At the date of transition to MFRSs, the Company uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised and compare that to the credit risk at the date of transition to MFRS.

MFRS 1 exemption option

MFRS 15 *Revenue from Contracts with Customers*

The Company has elected to apply the following practical expedients under MFRS 15:

(a) No restatement of completed contracts that begin and end within the same annual reporting period;
(b) No restatement for completed contracts as at transition date;
(c) The use of transaction price at the date the contract was completed for completed contracts in the comparative period with variable consideration;
(d) No restatement of contract modifications that occurred before transition date;
(e) No disclosure is required on the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognise the amount as revenue for all reporting periods presented before the date of transition.

24. Effects of transition from MPERS to MFRS (cont'd)

Transitioning adjustments

The Company has assessed the effects of applying the MFRS 15 on the Company's financial statements and based on the analysis of the recognition of various revenue sources, no significant differences with existing accounting principles were identified except for the following:

(i) Determining the transaction price

Transaction price shall be estimated based on the amount of the consideration to which an entity expects to be entitled in exchange for transferring the promised goods and services, to the extent that it is highly probable that a significant reversal will not occur.

(ii) Accounting for incremental costs of obtaining a contract

Expenses attributable to securing contracts with customers for construction contracts had been capitalised and expensed by reference to the progress towards complete satisfaction of that performance obligation.

(iii) Presentation of contract assets and contract liabilities in the statement of financial position

MFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. Contract assets identified are mainly the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract assets are the excess of cumulative revenue earned over cumulative billings to-date and contract liabilities are the obligations to transfer goods or services to the customers for which the Company has received the consideration or have billed the customers.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contracts with customers. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Company has applied this standard retrospectively.

24. **Effects of transition from MPERS to MFRS (cont'd)**

Financial effects of the transition from MPERS to MFRS

	As previously reported RM	Adjustments RM	As restated RM
Statement of profit or loss and other comprehensive income			
Financial year ended 31.12.2017			
Net gain on impairment of financial assets	-	89	89
Financial year ended 31.12.2018			
Net gain on impairment of financial assets	-	92,965	92,965
Financial year ended 31.12.2019			
Net loss on impairment of financial assets	-	(58,248)	(58,248)
Statement of financial position			
As at 1.1.2017			
Trade receivables	22,714,410	(479,801)	22,234,609
Retained profit	4,593,111	(479,801)	4,113,310
Financial year ended 31.12.2017			
Trade receivables	27,882,563	(479,712)	27,402,851
Retained profit	5,949,465	(479,712)	5,469,753
Financial year ended 31.12.2018			
Trade receivables	19,649,211	(386,747)	19,262,464
Retained profit	9,997,073	(386,747)	9,610,326
Financial year ended 31.12.2019			
Trade receivables	25,062,861	(444,995)	24,617,866
Retained profit	16,005,930	(444,995)	15,560,935

25. Subsequent Event

There is no other significant event subsequent to the reporting date of the most recent audited financial statements, 13 May 2020 to the date of this report, except as below:

The emergence of novel Coronavirus ("Covid-19") since early 2020 that caused travel restrictions and lockdown to be effectuated in Malaysia and other precautionary measures being imposed by the government has brought disruption in the Company's business operations. The Company is cognizant of the challenges posed by these developing events and is actively monitoring and taking appropriate and timely measures, also works closely with the local authorities to support their efforts in containing the spread of Covid-19 to minimise the impact of Covid-19 on its business operations.

Morison AAC
Your Partners In Success

Morison AAC PLT 202006000008
(LLP0022843-LCA & AF 001977)
(Formerly known as Morison Anuarul Azizan Chew)
Chartered Accountants

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7 JANUARY 2021

The Board of Directors
LFE CORPORATION BERHAD
Suite 11.01, 11th Floor
Campbell Complex
98, Jalan Dang Wangi
50100 Kuala Lumpur

Dear Sirs,

LFE CORPORATION BERHAD ("LFE" OR "COMPANY")
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF LFE INCLUDED IN A CIRCULAR TO SHAREHOLDERS

We have completed our assurance engagement to report on the compilation of pro forma consolidated statement of financial position of LFE as at 31 December 2019, together with the accompanying notes thereon prepared by the Board of Directors of LFE ("Board"). The pro forma consolidated statement of financial position of LFE ("Pro Forma") as set out in Appendix A of this letter (which we have stamped for the purpose of identification), have been compiled by the Board for the inclusion in the circular to the shareholders of LFE ("Circular") solely to illustrate the impacts of:

(i) renounceable rights issue of up to 490,567,490 new ordinary shares in LFE ("LFE Share(s)" or "Share(s)") ("Rights Share(s)") on the basis of 2 Rights Shares for every 1 existing LFE Share held on an entitlement date to be determined and announced later ("Entitlement Date") at an issue price of RM0.08 per Rights Share ("Proposed Rights Issue"); and

(ii) acquisition of 382,500 ordinary shares in Cosmo Property Management Sdn Bhd ("CPMSB") ("Sale Share(s)"), representing 51.0% equity interest in CPMSB from Resolute Accomplishment Sdn. Bhd. ("Vendor") for a purchase consideration of RM27,540,000 ("Purchase Consideration") to be satisfied via a combination of RM20,990,000 in cash ("Cash Consideration") and RM6,550,000 via the issuance of 65,500,000 new LFE Shares at an issue price of RM0.10 per LFE Share ("Consideration Share(s)") ("Proposed Acquisition").

The applicable criteria on the basis of which the Board has compiled the Pro Forma is described in Note 2 to 7 of Appendix A.

The Pro Forma has been compiled by the Board to illustrate the impact of the Proposed Rights Issue and Proposed Acquisition on the audited consolidated statement of financial position of LFE as at 31 December 2019 as if the Proposed Rights Issue and Proposed Acquisition had taken place on that date. As part of this process, information about LFE's consolidated statement of financial position has been extracted by the Board from LFE's consolidated financial statements for the financial year ended 31 December 2019, on which an audit report has been published.

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LFE CORPORATION BERHAD (Continued)
Page 2

Directors' responsibilities for the Pro Forma

The Board is solely responsible for compiling the Pro Forma on the basis set out in Note 2 to 7 of Appendix A.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Ppractice) 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"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, about whether the Pro Forma has been compiled, in all material respects, by the Board on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires us to plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the Pro Forma on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions where addressed by us at the dates of their issues.

The purpose of the Pro Forma included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Further, such information may not reflect the actual or predict the Company's future consolidated financial position. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

Morison KSi
Independent member

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LFE CORPORATION BERHAD (Continued)
Page 3

Reporting Accountants' responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the Pro Forma provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related Pro Forma adjustments give appropriate effect to those criteria; and
- The Pro Forma reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of LFE, the event or transaction in respect of which the Pro Forma has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma has been compiled, in all material respects on the basis set out in Note 2 to 7 of Appendix A.

Other Matters

This letter is issued solely for the purpose of inclusion in the Circular to the shareholders of LFE in connection with the Proposed Rights Issue and Proposed Acquisition. This letter should not be reproduced, referred to in any other document or used for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Proposed Rights Issue and Proposed Acquisition.

Yours faithfully

Morison AAC	
MORISON AAC PLT	**TEH WEIL XUAN**
(LLP0022843-LCA & AF001977)	03453/10/2021 J
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

Morison KSi
Independent member

APPENDIX A

LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MINIMUM SCENARIO

MINIMUM SCENARIO	As at 31 December 2019[1]	Pro Forma (I) After adjusting for subsequent events	Pro Forma (II) After (I) and Rights Shares subscribed by Undertaking Shareholders only	Pro Forma (III) After (II) and Proposed Acquisition of CPMSB
	RM	RM	RM	RM
Non-Current Assets				
Property, plant and equipment	483,086	483,086	483,086	714,994
Investment in joint ventures	26,228,010	26,228,010	26,228,010	26,228,010
Goodwill on consolidation	-	-	-	19,221,423
	26,711,096	26,711,096	26,711,096	46,164,427
Current Assets				
Contract assets	12,666,464	12,666,464	12,666,464	15,841,172
Trade receivables	12,683,921	12,683,921	12,683,921	37,301,787
Other receivables	1,303,576	1,303,576	1,303,576	18,475,225
Amount owing by a related company	-	-	-	7,500,000
Cash and bank balances	621,254	5,395,989	15,581,519	851,383
Total Current Assets	27,275,215	32,049,950	42,235,480	79,969,567
Total Assets	53,986,311	58,761,046	68,946,576	126,133,994

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APPENDIX A

LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MINIMUM SCENARIO (CONTINUED)

MINIMUM SCENARIO	As at 31 December 2019[(1)]	Pro Forma (I) After adjusting for subsequent events	Pro Forma (II) After (I) and Rights Shares subscribed by Undertaking Shareholders only	Pro Forma (III) After (II) and Proposed Acquisition of CPMSB
	RM	RM	RM	RM
Equity attributable to owners of the Company				
Share capital	57,142,100	61,916,835	72,146,365	78,696,365
Capital reserve	17,567,825	17,567,825	17,567,825	17,567,825
Foreign exchange translation reserve	1,849,269	1,849,269	1,849,269	1,849,269
Accumulated losses	(42,068,624)	(42,068,624)	(42,112,624)	(42,403,624)
	34,490,570	39,265,305	49,450,835	55,709,835
Non-controlling interests	-	-	-	7,992,358
Total Equity	34,490,570	39,265,305	49,450,835	63,702,193
Non-Current Liabilities				
Lease liabilities	-	-	-	109,495
Deferred tax liabilities	-	-	-	8,656
	-	-	-	118,151
Current Liabilities				
Trade payables	6,336,526	6,336,526	6,336,526	13,404,035
Other payables	13,133,969	13,133,969	13,133,969	36,431,387
Lease liabilities	-	-	-	37,195
Bank borrowings	-	-	-	10,900,787
Current tax liabilities	25,246	25,246	25,246	1,540,246
	19,495,741	19,495,741	19,495,741	62,313,650
Total Liabilities	19,495,741	19,495,741	19,495,741	62,431,801
	53,986,311	58,761,046	68,946,576	126,133,994

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MORISON AAC PLT 202006000008 (LLP0022843-LCA & AF 001977)

APPENDIX A

LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MINIMUM SCENARIO (CONTINUED)

MINIMUM SCENARIO	As at 31 December 2019[1]	Pro Forma (I) After adjusting for subsequent events	Pro Forma (II) After (I) and Rights Shares subscribed by Undertaking Shareholders only	Pro Forma (III) After (II) and Proposed Acquisition of CPMSB
Supplementary information				
Number of LFE Shares in issue	204,403,121	245,283,745	377,715,367	443,215,367
Net assets[2] (RM)	34,490,570	39,265,305	49,450,835	55,709,835
Net assets per Share[3] (RM)	0.17	0.16	0.13	0.13
Total Borrowings[4] (RM)	-	-	-	11,047,477
Gearing ratio[5]	-	-	-	0.20

Notes:

(1) Extracted from the audited financial statements of LFE for the financial year ended 31 December 2019.

(2) Net assets represent total equity attributable to owners of the Company.

(3) Net assets per share = Net assets / Number of LFE shares in issue.

(4) Total Borrowings includes lease liabilities and bank borrowings.

(5) Gearing ratio = Total borrowings / Total equity attributable to owners of the Company.

APPENDIX A

LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MAXIMUM SCENARIO

MAXIMUM SCENARIO	As at 31 December 2019[1]	Pro Forma (I) After adjusting for subsequent events	Pro Forma (II) After (I) and Rights Shares subscribed by all Entitled Shareholders	Pro Forma (III) After (II) and Proposed Acquisition of CPMSB
	RM	RM	RM	RM
Non- Current Assets				
Property, plant and equipment	483,086	483,086	483,086	714,994
Investment in joint ventures	26,228,010	26,228,010	26,228,010	26,228,010
Goodwill on consolidation	-	-	-	19,221,423
	26,711,096	26,711,096	26,711,096	46,164,427
Current Assets				
Contract assets	12,666,464	12,666,464	12,666,464	15,841,172
Trade receivables	12,683,921	12,683,921	12,683,921	37,301,787
Other receivables	1,303,576	1,303,576	1,303,576	18,475,225
Amount owing by a related company	-	-	-	7,500,000
Cash and bank balances	621,254	5,395,989	44,232,388	23,246,252
	27,275,215	32,049,950	70,886,349	102,364,436
Total Assets	53,986,311	58,761,046	97,597,445	148,528,863

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APPENDIX A

LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MAXIMUM SCENARIO (CONTINUED)

MAXIMUM SCENARIO	As at 31 December 2019[1]	Pro Forma (I) After adjusting for subsequent events	Pro Forma (II) After (I) and Rights Shares subscribed by all Entitled Shareholders	Pro Forma (III) After (II) and Proposed Acquisition of CPMSB
	RM	RM	RM	RM
Share capital	57,142,100	61,916,835	100,797,234	107,347,234
Capital reserve	17,567,825	17,567,825	17,567,825	17,567,825
Foreign exchange translation reserve	1,849,269	1,849,269	1,849,269	1,849,269
Accumulated losses	(42,068,624)	(42,068,624)	(42,112,624)	(42,403,624)
	34,490,570	39,265,305	78,101,704	84,360,704
Non-controlling interests	-	-	-	7,992,358
Total Equity	34,490,570	39,265,305	78,101,704	92,353,062
Non-Current Liabilities				
Lease liabilities	-	-	-	109,495
Deferred tax liabilities	-	-	-	8,656
	-	-	-	118,151
Current Liabilities				
Trade payables	6,336,526	6,336,526	6,336,526	13,404,035
Other payables	13,133,969	13,133,969	13,133,969	36,431,387
Lease liabilities	-	-	-	37,195
Bank borrowings	-	-	-	4,644,787
Current tax liabilities	25,246	25,246	25,246	1,540,246
	19,495,741	19,495,741	19,495,741	56,057,650
Total Liabilities	19,495,741	19,495,741	19,495,741	56,175,801
	53,986,311	58,761,046	97,597,445	148,528,863

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202006000008
(LLP0022843-LCA & AF 001977)

APPENDIX A

LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MAXIMUM SCENARIO (CONTINUED)

MAXIMUM SCENARIO	As at 31 December 2019$^{(1)}$	Pro Forma (I) After adjusting for subsequent events	Pro Forma (II) After (I) and Rights Shares subscribed by all Entitled Shareholders	Pro Forma (III) After (II) and Proposed Acquisition of CPMSB
Supplementary information				
Number of LFE Shares in issue	204,403,121	245,283,745	735,851,235	801,351,235
Net assets$^{(2)}$ (RM)	34,490,570	39,265,305	78,101,704	84,360,704
Net assets per Share$^{(3)}$ (RM)	0.17	0.16	0.11	0.11
Total Borrowings$^{(4)}$ (RM)	-	-	-	4,791,477
Gearing ratio$^{(5)}$	-	-	-	0.06

Notes:

(1) Extracted from the audited financial statements of LFE for the financial year ended 31 December 2019.

(2) Net assets represent total equity attributable to owners of the Company.

(3) Net assets per share = Net assets / Number of LFE shares in issue.

(4) Total Borrowings includes lease liabilities and bank borrowings.

(5) Gearing ratio = Total borrowings / Total equity attributable to owners of the Company.

APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

STAMPED FOR IDENTIFICATION PURPOSES ONLY
MORISON AAC PLT
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1. Introduction

The Pro Forma for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of LFE as at 31 December 2019 had the transactions as described in Note 2 to 7 been effected on that date.

The Pro Forma is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposed Rights Issue and Proposed Acquisition on the consolidated financial position of LFE had the transactions or events happened on 31 December 2019. Further, such information does not purport to predict LFE's future financial position.

2. Details of subsequent events

The Company had, on 18 December 2019, announced a private placement exercise of up to 40,880,624 new LFE Shares, representing 20% of the total number of issued shares of LFE ("Placement Share(s)") ("Private Placement"). A total of 20,000,000 Placement Shares had been placed out to third party investor as at 1 April 2020 at an issue price of RM0.079 per Placement Share and the remaining 20,880,624 Placement Shares ("Remaining Placement Shares") had been placed out to third party investor as at 13 October 2020 at an issue price of RM0.153 per Remaining Placement Share .

3. Details of the Proposed Rights Issue

The Proposed Rights Issue entails an issuance of up to 490,567,490 Rights Shares on the basis of 2 Rights Shares for every 1 existing LFE Share held by the shareholders of LFE whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date ("Entitled Shareholders").

The issue price of each Rights Share is RM0.08.

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APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

4. Details of the Proposed Acquisition

On 5 October 2020, the Company had entered into a conditional shares sale agreement ("SSA") with the Vendor for the Proposed Acquisition. The Purchase Consideration will be satisfied via the Cash Consideration and the Consideration Shares in the following manner:

	RM
Cash	20,990,000
Issuance of 65,500,000 Consideration Shares at an issue price of RM0.10 each	6,550,000
Total	**27,540,000**

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.

The Vendor agrees, undertakes and warrants that the aggregate profit after tax for the financial year ending 31 December 2021 and financial year ending 31 December 2022 of CPMSB ("Profit Guarantee Period") shall not be less than RM12,000,000.

Upon completion of the Proposed Acquisition, LFE will hold 51.0% equity interest in CPMSB and accordingly, CPMSB will become a subsidiary company of LFE.

5. Scenarios

For illustration purposes, the effects of the Proposed Rights Issue and Proposed Acquisition are based on the following 2 scenarios:

a) Minimum Scenario

Assuming the Proposed Rights Issue is subscribed by only the Undertaking Shareholders (defined in Note 6.1.2) prior to the Proposed Acquisition.

b) Maximum Scenario

Assuming the Proposed Rights Issue is fully subscribed by all the Entitled Shareholders and/or their renoucee(s) prior to the Proposed Acquisition.

APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

6. The Pro Forma

6.1 Minimum Scenario

6.1.1 Pro Forma I

Pro Forma I incorporate the effects of the adjustments for subsequently completed events up to latest practicable date of 31 December 2020 ("LPD").

The audited consolidated statement of financial position as at 31 December 2019 is adjusted for the issuance of 20,000,000 Placement Shares at an issue price of RM0.079 per Placement Share and 20,880,624 Remaining Placement Shares at an issue price of RM0.153 per Remaining Placement Share pursuant to the Private Placement exercise which was announced on 18 December 2019.

6.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the effects of Undertaking Shareholders subscribed to the Rights Shares at an issue price of RM0.08 per Rights Share on the basis of 2 Rights Shares for every 1 existing LFE share held.

Details of Undertaking Shareholders are set out below:

Undertaking Shareholders	**Shareholdings as at the LPD**	**Rights Shares to be subscribed pursuant to undertakings**	**Shareholdings after the Proposed Rights Issue**
	No. of Shares	**No. of Shares**	**No. of Shares**
Ng Kok Kheng	29,200,000	58,400,000	87,600,000
Liew Kiam Woon	17,188,008	34,376,016	51,564,024
Liew Teow Woon	11,297,845	22,595,690	33,893,535
Liew Meow Nyean Realty	8,529,958	17,059,916	25,589,874
Total	**66,215,811**	**132,431,622**	**198,647,433**

The subscription of Rights Shares by Undertaking Shareholders will result in an increase in share capital by 132,431,622 shares or RM10,299,530 (net of estimated expenses of RM365,000) and increase in accumulated loss by RM44,000 (estimated expenses charged to profit or loss).

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APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

6. The Pro Forma (Continued)

6.1 Minimum Scenario (Continued)

6.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and the effects of the Proposed Acquisition of CPMSB.

The purchase consideration for the Proposed Acquisition of CPMSB is to be satisfied according to the following:

	RM
Cash	14,734,000
Bank borrowings^	6,256,000
Issuance of 65,500,000 Consideration Shares at an issue price of RM0.10 each	6,550,000
Total	**27,540,000**

^ *LFE intends to fund the shortfall of cash consideration through bank borrowings in the Minimum Scenario.*

The adjustment for the goodwill on business combination illustrates the effect on goodwill arising from the Proposed Acquisition of CPMSB. Details of the provisional fair value of assets acquired and liabilities assumed are as follows:

	RM	RM
Purchase consideration		27,540,000
Less: Net fair value of the identifiable assets, liabilities and contingent liabilities based on the adjusted statement of financial position of CPMSB as at 31 December 2019*		
- Property, plant and equipment	231,908	
- Contract assets	3,174,708	
- Trade and other receivables	41,789,515	
- Amount owing by ultimate holding company	7,500,000	
- Fixed deposits, cash and bank balances	294,864	
- Loans and borrowings	(4,644,787)	
- Lease liabilities	(146,690)	
- Deferred tax liabilities	(8,656)	
- Trade and other payables	(30,364,927)	
- Current tax liabilities	(1,515,000)	
		(16,310,935)
Add: Non-controlling interest		7,992,358
Goodwill on consolidation		**19,221,423**

* *A purchase price allocation ("PPA") exercise will be performed as at the acquisition date. In the absence of a PPA exercise being performed, for illustrative purposes, it is assumed that the excess of the purchase consideration over the fair value of the net identifiable assets is entirely made up of goodwill.*

APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

6. The Pro Forma (Continued)

6.1 Minimum Scenario (Continued)

6.1.3 Pro Forma III (Continued)

Estimated expenses in relation to the Proposed Acquisition of RM291,000 is charged to profit or loss.

The Proposed Acquisition of CPMSB will have the following impact on the Pro Forma as at 31 December 2019:

	Increase / (Decrease)	
	Effects on Total Assets RM	Effects on Total Liabilities and Equity RM
Property, plant and equipment	231,908	
Goodwill on consolidation	19,221,423	
Contract assets	3,174,708	
Trade receivables	24,617,866	
Other receivables	17,171,649	
Amount owing by a related company	7,500,000	
Cash and bank balances	(14,730,136)	
Share capital		6,550,000
Accumulated losses		(291,000)
Non-controlling interests		7,992,358
Lease liabilities		146,690
Deferred tax liabilities		8,656
Trade payables		7,067,509
Other payables		23,297,418
Bank borrowings		10,900,787
Current tax liabilities		1,515,000
	57,187,418	57,187,418

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APPENDIX A

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LFE CORPORATION BERHAD
NOTES TO PRO FORMA AS AT 31 DECEMBER 2019

6. The Pro Forma (Continued)

6.2 Maximum Scenario

6.2.1 Pro Forma I

Pro Forma I incorporate the effects of the adjustments for subsequently completed events up to LPD.

The audited consolidated statement of financial position as at 31 December 2019 is adjusted for the issuance of 20,000,000 Placement Shares at an issue price of RM0.079 per Placement Share and 20,880,624 Remaining Placement Shares at an issue price of RM0.153 per Remaining Placement Share pursuant to the Private Placement exercise which was announced on 18 December 2019.

6.2.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the effects of all Entitled Shareholders subscribed to the Rights Shares at an issue price of RM0.08 per Rights Share on the basis of 2 Rights Shares for every 1 existing LFE share held.

The subscription of Rights Shares by all Entitled Shareholders will result in an increase in share capital by 490,567,490 shares or RM38,880,399 (net of estimated expenses of RM365,000) and increase in accumulated loss by RM44,000 (estimated expenses charged to profit or loss).

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APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

STAMPED FOR IDENTIFICATION PURPOSES ONLY
MORISON AAC PLT 202006000008 (LLP0022843-LCA & AF 001977)

6. The Pro Forma (Continued)

6.2 Maximum Scenario (Continued)

6.2.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and the effects of the Proposed Acquisition of CPMSB.

The purchase consideration for the Proposed Acquisition of CPMSB is to be satisfied according to the following:

	RM
Cash	20,990,000
Issuance of 65,500,000 Consideration Shares at an issue price of RM0.10 each	6,550,000
Total	**27,540,000**

The adjustment for the goodwill on business combination illustrates the effect on goodwill arising from the Proposed Acquisition of CPMSB. Details of the provisional fair value of assets acquired and liabilities assumed are as follows:

	RM	RM
Purchase consideration		27,540,000
Less: Net fair value of the identifiable assets, liabilities and contingent liabilities based on the adjusted statement of financial position of CPMSB as at 31 December 2019*		
- Property, plant and equipment	231,908	
- Contract assets	3,174,708	
- Trade and other receivables	41,789,515	
- Amount owing by ultimate holding company	7,500,000	
- Fixed deposits, cash and bank balances	294,864	
- Loans and borrowings	(4,644,787)	
- Lease liabilities	(146,690)	
- Deferred tax liabilities	(8,656)	
- Trade and other payables	(30,364,927)	
- Current tax liabilities	(1,515,000)	
		(16,310,935)
Add: Non-controlling interest		7,992,358
Goodwill on consolidation		**19,221,423**

* *A PPA exercise will be performed as at the acquisition date. In the absence of a PPA exercise being performed, for illustrative purposes, it is assumed that the excess of the purchase consideration over the fair value of the net identifiable assets is entirely made up of goodwill.*

APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

6. The Pro Forma (Continued)

6.2 Maximum Scenario (Continued)

6.2.3 Pro Forma III (Continued)

The Proposed Acquisition of CPMSB will have the following impact on the Pro Forma as at 31 December 2019:

	Increase / (Decrease)	
	Effects on Total Assets RM	**Effects on Total Liabilities and Equity RM**
Property, plant and equipment	231,908	
Goodwill on consolidation	19,221,423	
Contract assets	3,174,708	
Trade receivables	24,617,866	
Other receivables	17,171,649	
Amount owing by a related company	7,500,000	
Cash and bank balances	(20,986,136)	
Share capital		6,550,000
Accumulated losses		(291,000)
Non-controlling interests		7,992,358
Lease liabilities		146,690
Deferred tax liabilities		8,656
Trade payables		7,067,509
Other payables		23,297,418
Bank borrowings		4,644,787
Current tax liabilities		1,515,000
	50,931,418	50,931,418

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APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

7. Effects on the Pro Forma

7.1 Movement in Cash and Bank Balances

Minimum Scenario	**RM**
As at 31 December 2019	621,254
Effects of Pro Forma I - Adjusted for subsequent events up to LPD	4,774,735
Pro Forma I	5,395,989
Effects of Pro Forma II - Rights Shares subscribed by Undertaking Shareholders only	10,185,530
Pro Forma II	15,581,519
Effects of Pro Forma III - Proposed Acquisition of CPMSB	(14,730,136)
Pro Forma III	851,383

Maximum Scenario	**RM**
As at 31 December 2019	621,254
Effects of Pro Forma I - Adjusted for subsequent events up to LPD	4,774,735
Pro Forma I	5,395,989
Effects of Pro Forma II - Rights Shares subscribed by all Entitled Shareholders	38,836,399
Pro Forma II	44,232,388
Effects of Pro Forma III - Proposed Acquisition of CPMSB	(20,986,136)
Pro Forma III	23,246,252

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APPENDIX A

LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

7. Effects on the Pro Forma (Continued)

7.2 Movement in Equity

Minimum Scenario	Share capital RM	Capital reserve RM	Foreign exchange translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
As at 31 December 2019	57,142,100	17,567,825	1,849,269	(42,068,624)	34,490,570	-	34,490,570
Effects of Pro Forma I - Adjusted for subsequent events up to LPD	4,774,735	-	-	-	4,774,735	-	4,774,735
Pro Forma I	61,916,835	17,567,825	1,849,269	(42,068,624)	39,265,305	-	39,265,305
Effects of Pro Forma II – Rights Shares subscribed by Undertaking Shareholders only	10,229,530	-	-	(44,000)	10,185,530	-	10,185,530
Pro Forma II	72,146,365	17,567,825	1,849,269	(42,112,624)	49,450,835	-	49,450,835
Effects of Pro Forma III - Proposed Acquisition of CPMSB	6,550,000	-	-	(291,000)	6,259,000	7,992,358	14,251,358
Pro Forma III	78,696,365	17,567,825	1,849,269	(42,403,624)	55,709,835	7,992,358	63,702,193

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LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

7. Effects on the Pro Forma (Continued)

7.2 Movement in Equity (Continued)

Maximum Scenario	Share capital RM	Capital reserve RM	Foreign exchange translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
As at 31 December 2019	57,142,100	17,567,825	1,849,269	(42,068,624)	34,490,570	-	34,490,570
Effects of Pro Forma I - Adjusted for subsequent events up to LPD	4,774,735	-	-	-	4,774,735	-	4,774,735
Pro Forma I	61,916,835	17,567,825	1,849,269	(42,068,624)	39,265,305	-	39,265,305
Effects of Pro Forma II - Rights Shares subscribed by all Entitled Shareholders	38,880,399	-	-	(44,000)	38,836,399	-	38,836,399
Pro Forma II	100,797,234	17,567,825	1,849,269	(42,112,624)	78,101,704	-	78,101,704
Effects of Pro Forma III - Proposed Acquisition of CPMSB	6,550,000	-	-	(291,000)	6,259,000	7,992,358	14,251,358
Pro Forma III	107,347,234	17,567,825	1,849,269	(42,403,624)	84,360,704	7,992,358	92,353,062

COSMO

Cosmo Property Management Sdn. Bhd.
(913979-V)

Registered Office:-

Unit 1-3-3
No. 1 Jalan P. Ramlee
10460 Georgetown
Pulau Pinang

Date: 07 JAN 2021

The Board of Directors of
LFE Corporation Berhad

Dear Sir/ Madam,

On behalf of the Board of Cosmo Property Management Sdn Bhd ("**CPMSB**" or the "**Company**") ("**Board**"), I wish to report that after due inquiries in relation to the Company during the period between 31 December 2019, being the date to which the latest audited financial statements of the Company had been made up, and up to the date of this letter, being a date not earlier than 14 days before the date of the circular to the shareholders of CPMSB in relation to the Proposals (as defined therein), that:-

i. in the opinion of our Board, the business of CPMSB has been satisfactorily maintained;

ii. in the opinion of our Board, no circumstances have arisen since the latest audited financial statements of CPMSB which have adversely affected the trading or the value of the assets of CPMSB;

iii. the current assets of CPMSB appear in the books at values which are believed to be realisable in the ordinary course of business;

iv. there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by CPMSB;

v. there has been no default or any known event that could give rise to a default situation in respect of payment of either interest and/ or principal sums in relation to any borrowings in CPMSB since the latest audited financial statements of CPMSB; and

vi. there have been no material changes in the published reserves or any unusual factors affecting the profits of CPMSB since the latest audited financial statements of CPMSB.

Yours faithfully,
For and on behalf of the Board
COSMO PROPERTY MANAGEMENT SDN BHD

Kharrul Azmi Bin Mat Nawi
Director

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our 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.

2. CONSENT

UOBKH, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

UHY has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Accountants' Report on CPMSB and all references thereto in the form and context in which they appear in this Circular.

Messrs Morison AAC has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Reporting Accountants' letter on the pro forma consolidated statements of financial position of LFE Group as at 31 December 2019 together with the notes and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser for the Proposals.

UHY has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Accountants for the Proposals in relation to the Accountants' Report on CPMSB.

Messrs Morison AAC has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Reporting Accountants for the Proposals in relation to the Reporting Accountants' letter on the pro forma consolidated statements of financial position of LFE Group as at 31 December 2019 together with the notes.

4. MATERIAL CONTRACTS

Save for the SSA in relation to the Proposed Acquisition, LFE Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD.

5. MATERIAL LITIGATION

Save as dsiclosed below and as at the LPD, LFE Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against LFE Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of LFE Group:-

i. **Kuala Lumpur High Court, Writ No. WA-22C-80-10/2019**
Falconer Chester Hall (UK) Limited ("Falconer UK") and Falconer Chester Hall (Asia) Sdn Bhd vs LFE Engineering Sdn Bhd

On 4 February 2014, Falconer UK entered into an Architectural Consultancy Agreement with Shapadu Corporation Sdn Bhd ("**SCSB**") to provide architectural services for the City Village Development Project in Prescint 2, Putrajaya, comprising proposed development of a new corporate headquarters for SCSB, a hotel, serviced residence, retails, leisure and associated facilities ("**Putrajaya Project**").

On 30 November 2014, Falconer UK and SCSB entered into the Deed of Novation and Variation Agreement to novate and transfer certain of Falconer UK's scope of works unto Falconer Chester Hall (Asia) Sdn Bhd ("**Falconer Asia**") whereas Falconer UK will provide the remaining scope of works under the Architectural Consultancy Agreement to SCSB.

(Falconer UK and Falconer Asia, collectively known as "**Falconer**").

On 15 January 2016, SCSB appointed LFE Engineering Sdn Bhd ("**LESB**") as Putrajaya Project Management Consultant for Putrajaya Project by way of a letter of appointment.

On 30 August 2016, Falconer, SCSB and LESB entered into an agreement, of which LESB shall manage, coordinate and supervise and make the necessary payment to Falconer on behalf of SCSB subject to at all times that SCSB has first made the payment to LESB. However, SCSB decided to terminate Putrajaya Project on 31 May 2017, and consequently, the architectural consultancy service provided by Falconer was also terminated. As a result of such termination, Falconer filed a statement of claim dated 2 October 2019 against LESB for the final claim of work done amounting to RM2,863,090.28 being fees for architectural consultancy services purportedly rendered by the plaintiffs together with interest calculated on the said sum at the rate of 5% per annum from the date of judgment up to full settlement, costs and other reliefs as the court deems fit and just.

On 15 November 2019, LESB filed a defense statement against Falconer's claim and an application to strike out the suit as Falconer is not registered as an architect as mandated under the Architects Act 1967 at all material times, hence they are not allowed in law to render architectural consultancy services or to describe themselves as an architect.

Concurrently, LESB filed third-party proceeding against SCSB to claim full indemnity against Falconer's claim and cost of their action on 15 November 2019.

The High Court however has dismissed the application to strike out Falconer's claim on 7 October 2020 and LESB has filed an appeal on 22 October 2020 and the hearing for the appeal has been scheduled on 1 October 2021.

Our Board is of the opinion that LESB has a fair chance of success as Falconer is not registered as an architect as mandated under the Architects Act 1967 at all material times. Even if Falconer successfully make the claim against LESB, the potential financial impact to the group will be minimum as LESB will claim full indemnity from SCSB as per the terms and conditions of the quadripartite novation agreement.

Falconer has applied to High Court to amend the statement of claim on 28 October 2020 to include SCSB as the Second Defendant.

ii. Kuala Lumpur Sessions Court Suit No. WA-B52NCvC-166- 05/2020
Juliana Quah Kooi Hong vs LFE and LFE Engineering Sdn Bhd ("LESB")

On 5 June 2020, LFE and LESB received a Writ and Statement of Claim from the solicitors for Juliana Quah Kooi Hong ("**Plaintiff**"), who was the executive director of LFE and head of legal, HR/Admin and Corporate Department for LESB, which claimed for purported outstanding salary, allowances and claims, a material breach of the Plaintiff's contract of employment.

Pursuant to the Writ and Statement of Claim, the Plaintiff claimed the following from LFE and LESB:-

(a) total outstanding amount of RM380,953.15;
(b) interest rate at 5% per annum on RM380,953.15 calculated from date of the Writ until full utilization;
(c) an order that the Defendants make payments on the sums due to be paid to the statutory bodies namely Lembaga Hasil Dalam Negeri (LHDN) and Kumpulan Wang Simpanan Pekerja (KWSP) within 1 month from the date of the Judgement;
(d) costs; and
(e) such further and/ or other relief as the court deems fit.

The matter came up for hearing on 22 September 2020 whereby the court dismissed the Plaintiff's summary judgement application and ordered the parties to go to trial. The Plaintiff has appealed the decision of the Sessions Court judge to the High Court and the matter is set for case management on 3 February 2021.

Our Board is of the opinion that LFE and LESB have a fair chance of success to reduce the claim to a lower amount as our Board verily believes that the amount claim by Juliana is not accurate. The outstanding amount claimed by Juliana have already been recorded in book, and hence no significant financial impact on the Group.

6. MATERIAL COMMITMENTS

As at the LPD, our 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/ position of LFE Group.

7. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by the LFE Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the LFE Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of LFE at at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, 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 2 financial years up to the FYE 31 December 2019 and the latest unaudited quarterly results for the 9-month FPE 30 September 2020;

iii. Audited financial statements of CPMSB for the past 2 financial years up to FYE 31 December 2019;

iv. The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 above, respectively;

v. The material contracts referred to in Section 4 above;

vi. The relevant cause papers in relation to the material litigation referred to in Section 5 above;

vii. The Accountants' Report on CPMSB as referred to in Appendix III of this circular;

viii. The Reporting Accountants' letter on the pro forma consolidated statements of financial position of LFE Group as at 31 December 2019 together with the notes as referred to in Appendix IV of this circular; and

ix. Directors' report on CPMSB as referred to Appendix V of this Circular.

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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 will be conducted fully virtual at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Tuesday, 2 February 2021 at 10.30 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 RENOUNCEABLE RIGHTS ISSUE OF UP TO 490,567,490 NEW ORDINARY SHARES IN LFE ("LFE SHARE(S)") ("RIGHTS SHARES") ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 1 EXISTING LFE SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER, AT AN ISSUE PRICE OF RM0.08 PER RIGHTS SHARE ("PROPOSED RIGHTS ISSUE")

"**THAT**, subject to the approvals of all relevant authorities and/ or parties (if required) being obtained, where required, approval be and is hereby given to the Board of Directors of LFE ("**Board**") for the following:-

i. to provisionally allot and issue by way of a renounceable rights issue of up to 490,567,490 Rights Shares to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board, on the basis of 2 Rights Shares for every 1 existing LFE Share held at an issue price of RM0.08 per Rights Share;

ii. to issue such Rights Shares as may be required to give effect to the Proposed Rights Issue, including any persons entitled on renunciation of the provisional allotments; and

iii. to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation for the Rights Shares;

THAT any Rights Shares which are not taken up or validly taken up shall be made available for excess applications to the entitled shareholders and/ or their renouncee(s) who have applied for the excess Rights Shares, and are intended to be allocated on a fair and equitable basis;

THAT any fractional entitlements of the Rights Shares arising from the Proposed Rights Issue, if any, shall be dealt with in such manner as the Board shall in its sole and absolute discretion deems fit and expedient, and is in the best interests of the Company;

THAT the proceeds of the Proposed Rights Issue be utilised as set out in the circular to the shareholders dated 18 January 2021, and the Board be and is hereby authorised with full power to vary the manner and/ or purposes of utilisation of such proceeds in such manner as the Board, may at its absolute discretion, deem fit, necessary, expedient and/ or in the best interest of the Company, subject to the approval of the relevant authorities, where required;

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

THAT the Board be and is hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/ or undertakings with any party or parties, do all things as may be required to give effect to the Proposed Rights Issue with full powers to assent to any conditions, variations, modifications and/ or amendments including to vary the manner and/ or the purpose of the utilisation of proceeds arising from the Proposed Rights Issue, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/ or expedient to implement, finalise and give full effect to the Proposed Rights Issue in the best interest of the Company;

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 Rights Shares to be issued pursuant to or in connection with the Proposed Rights Issue have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF 382,500 ORDINARY SHARES IN COSMO PROPERTY MANAGEMENT SDN BHD ("CPMSB"), REPRESENTING 51.0% EQUITY INTEREST IN CPMSB FROM RESOLUTE ACCOMPLISHMENT SDN BHD ("VENDOR") FOR A PURCHASE CONSIDERATION OF RM27,540,000 TO BE SATISFIED VIA A COMBINATION OF RM20,990,000 IN CASH AND RM6,550,000 VIA THE ISSUANCE OF 65,500,000 NEW LFE SHARES ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.10 PER LFE SHARE ("PROPOSED ACQUISITION")

"**THAT**, subject to the passing of Ordinary Resolution 1 as above and subject to the approvals of all relevant authorities and/ or parties (if required) being obtained, where required, approval be and is hereby given to the Board to acquire 382,500 ordinary shares of CPMSB, representing 51.0% equity interest in CPMSB from the Vendor for a purchase consideration of RM27,540,000 to be satisfied via a combination of RM20,990,000 in cash and RM6,550,000 via the issuance of 65,500,000 Consideration Shares at an issue price of RM0.10 per LFE Share, in accordance with the terms and conditions of the conditional shares sale agreement dated 5 October 2020 entered into between LFE and the Vendor for the Proposed Acquisition.

THAT such Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the existing LFE Shares, save and except that the Consideration Shares will 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.

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Acquisition with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition."

By Order of the Board

WONG YOUN KIM (MAICSA 7018778)
SSM Practising Certificate No. 201908000410
Company Secretary

Kuala Lumpur
18 January 2021

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. *This Form of Proxy must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, 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 25 January 2021 shall be entitled to participate the EGM*

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:	BROADCAST VENUE:
Tuesday, 2 February 2021	10.30 a.m.	Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur

General Meeting Record of Depositors

1. In respect of deposited securities, only members whose names appear on the Record of Depositors on 25 January 2021 (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 2 February 2021, 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 2, Tower 1, Avenue 5, 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 **Monday, 1 February 2021 at 10.30 a.m. 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 HMC 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 10.30 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 HMC Corporate Services Sdn. Bhd. **not later than Monday, 1 February 2021 at 10.30 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 HMC Corporate Services Sdn Bhd not later than **Monday, 1 February 2021 at 10.30 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/3s9Ce6T
(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/2Xnem1x 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 10.30 a.m. on 2 February 2021. • 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 10.30 a.m. on 2 February 2021 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.

NO DOOR GIFT

There will be no distribution of door gifts for the participation of the EGM.

NO RECORDING OR PHOTOGRAPHY

Unauthorised recording and photography are strictly prohibited at the EGM.

ENQUIRY

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):-

HMC CORPORATE SERVICES SDN BHD
Registration No. 198201003810 (83556-P)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 603-2281 5800
Mobile/WhatsApp: 017 388 3989
Fax : 603-2282 5022
Email : office365support@hmc.my
Contact Person: HMC Virtual Meeting Administrator

Kindly check the Company's announcement to Bursa Malaysia Securities Berhad for the latest updates on the arrangement of the EGM.

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 at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Tuesday, 2 February 2021 at 10.30 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:-

RESOLUTION		FOR	AGAINST
1.	PROPOSED RIGHTS ISSUE		
2.	PROPOSED ACQUISITION		

Dated this.................................day of...2021.

....
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 2, Tower 1, Avenue 5, 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 25 January 2021 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***").

(i) 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

(ii) 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 HMC Corporate Services Sdn. Bhd.
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

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Fold This Flap For Sealing