

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

No securities will be allotted or issued based on this Abridged Prospectus after 6 months from the date of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, PLEASE CONSULT A PROFESSIONAL ADVISER IMMEDIATELY.

All enquiries concerning the Rights Issue should be addressed to our Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia (Tel. No. +603-7890 4700).

This Abridged Prospectus has been registered by the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Abridged Prospectus. The SC has not, in any way, considered the merits of the Rights Issue. A copy of this Abridged Prospectus, together with the NPA and RSF (collectively, the "Documents") has also been lodged with the Registrar of Companies who takes no responsibility for the contents of the Documents.

The approval from our shareholders for the Rights Issue was obtained at our EGM held on 2 February 2021. Approval has been obtained from Bursa Securities via its letter dated 4 January 2021 for the listing and quotation of the Rights Shares pursuant to the Rights Issue on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue, and shall not be taken as an indication of the merits of the Rights Issue. Bursa Securities does not take any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus. The listing and quotation of all the said new securities will commence after, amongst others, the receipt of confirmation from Bursa Depository that all the CDS Accounts of our successful Entitled Shareholders and/ or their renouncee(s) and/ or transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

The Documents are only despatched to the Entitled Shareholders whose names appear in our Record of Depositors and who have provided our Share Registrar with a registered address in Malaysia not later than 5.00 p.m. on Wednesday, 24 March 2021. The Documents are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue complies with the laws of any countries or jurisdiction other than the laws of Malaysia. Entitled Shareholders and/ or their renouncee(s) and/ or transferee(s) (if applicable) who are residents in countries or jurisdiction other than Malaysia should therefore immediately consult their legal advisers and/ or other professional advisers as to whether the acceptance and/ or renunciation (as the case may be) of all or any part of their entitlements to the Rights Shares would result in a contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/ or their renouncee(s) and/ or transferee(s) (if applicable) should note the additional terms and restrictions as set out in **Section 10.11** of this Abridged Prospectus. Neither we, UOBKH nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/ or renunciation (as the case may be) of the entitlements to the Rights Shares made by the Entitled Shareholders and/ or their renouncee(s) and/ or transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Abridged Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Abridged Prospectus.

FOR INFORMATION CONCERNING RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.



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

RENOUNCEABLE RIGHTS ISSUE OF UP TO 490,567,490 NEW ORDINARY SHARES IN LFE CORPORATION BERHAD ("LFE OR THE "COMPANY") ("LFE SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM0.08 PER RIGHTS SHARE, ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 1 EXISTING LFE SHARE HELD AS AT 5.00 P.M. ON WEDNESDAY, 24 MARCH 2021 ("RIGHTS ISSUE")

Principal Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd
Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:-

Entitlement Date	: Wednesday, 24 March 2021 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	: Wednesday, 31 March 2021 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	: Friday, 2 April 2021 at 4.30 p.m.
Last date and time for acceptance and payment	: Thursday, 8 April 2021 at 5.00 p.m.
Last date and time for excess application and payment	: Thursday, 8 April 2021 at 5.00 p.m.

This Abridged Prospectus is dated 24 March 2021

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

RESPONSIBILITY STATEMENTS

OUR DIRECTORS HAVE SEEN AND APPROVED ALL THE DOCUMENTATION RELATING TO THE RIGHTS ISSUE. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS ABRIDGED PROSPECTUS FALSE OR MISLEADING.

UOBKH, BEING OUR PRINCIPAL ADVISER FOR THE RIGHTS ISSUE, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS ABRIDGED PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RIGHTS ISSUE.

OTHER STATEMENTS

YOU SHOULD NOTE THAT YOU MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THIS ABRIDGED PROSPECTUS THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION; OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS ABRIDGED PROSPECTUS OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO OUR COMPANY.

SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF SUCH RESTRICTIONS AND TO OBSERVE THEM.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THESE DOCUMENTS.

DEFINITIONS

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

"Abridged Prospectus"	: This abridged prospectus dated 24 March 2021 in relation to the Rights Issue
"Act"	: The Companies Act 2016, as amended from time to time and all regulations made thereunder and any re-enactment thereof
"Acquisition"	: Acquisition of 382,500 ordinary shares in CPMSB, representing 51.0% equity interest in CPMSB from RASB for the Purchase Consideration to be satisfied via a combination of Cash Consideration and Consideration Shares
"Board"	: Our Board of Directors
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd [Registration No. 198701006854 (165570-W)]
"Bursa Securities"	: Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
"Cash Consideration"	: RM20,990,000 of the Purchase Consideration to be satisfied via cash
"CDS"	: Central Depository System
"CDS Account"	: A securities account established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
"Closing Date"	: Thursday, 8 April 2021 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Provisional Rights Shares and the application and payment for the Excess Rights Shares
"CMSA"	: Capital Markets and Services Act 2007 of Malaysia, as amended from time to time and all regulations made thereunder and any re-enactment thereof
"Code"	: Malaysian Code on Take-overs and Mergers 2016
"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
"Constitution"	: Constitution of our Company
"Corporate Exercises"	: The Rights Issue and the Acquisition, collectively
"COVID-19"	: Coronavirus disease 2019
"CPMSB"	: Cosmo Property Management Sdn Bhd [Registration No. 201001030059 (913979-V)]
"Director(s)"	: The director(s) of our Company and shall have the meaning given in Section 2(1) of the CMSA
"Documents"	: This Abridged Prospectus together with the NPA and RSF, collectively

DEFINITIONS (CONT'D)

"EGM"	:	Extraordinary General Meeting of our Company held on 2 February 2021
"Entitled Shareholder(s)"	:	Our shareholders whose names appear in the Record of Depositors of our Company on the Entitlement Date
"Entitlement Date"	:	At 5.00 p.m. on Wednesday, 24 March 2021, being the time and date on which the names of our shareholders must appear in the Record of Depositors in order to be entitled to participate in the Rights Issue
"EPS/ (LPS)"	:	Earnings per share/ (Loss) per share
"Excess Application"	:	Application for Excess Rights Shares as set out in Section 10.9 of this Abridged Prospectus
"Excess Rights Shares"	:	Rights Shares which are not taken up or not validly taken up by the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) by the Closing Date
"Foreign Entitled Shareholder(s)"	:	Entitled Shareholder(s) who have not provided an address in Malaysia for the service of documents to be issued for the purposes of the Rights Issue
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"Issue Price"	:	The issue price of the Rights Shares of RM0.08 per Rights Share
"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"	:	2 March 2021, being the latest practicable date prior to the registration of this Abridged Prospectus by the SC
"LTD"	:	2 October 2020, being the last traded day of LFE Shares prior to the announcement of the Corporate Exercises
"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 the trading of securities
"Maximum Scenario"	:	Assuming all the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) fully subscribe for their respective entitlements under the Rights Issue
"MCO"	:	The Movement Control Order, implemented as a preventive measure by the federal government of Malaysia in response to the COVID-19 pandemic

DEFINITIONS (CONT'D)

"Minimum Scenario"	:	Assuming the Rights Issue is undertaken on a minimum subscription level of Rights Shares by the Undertaking Shareholders to raise the minimum level of funds LFE intends to raise from the Rights Issue amounting to RM10,594,530 and none of the other Entitled Shareholders subscribe for their respective entitlements under the Rights Issue
"NA"	:	Net assets attributable to the owners of our Company
"NPA"	:	Notice of provisional allotment of Rights Shares pursuant to the Rights Issue
"Official List"	:	A list specifying all securities listed on the Main Market of Bursa Securities
"PAT/ (LAT)"	:	Profit/ (Loss) after taxation
"PBT/ (LBT)"	:	Profit/ (Loss) before taxation
"Provisional Rights Shares"	:	Rights Shares provisionally allotted to the Entitled Shareholders
"Purchase Consideration"	:	RM27,540,000, being the purchase consideration for the Acquisition to be satisfied via a combination of Cash Consideration and Consideration Shares
"RASB" or the "Vendor"	:	Resolute Accomplishment Sdn Bhd [Registration No. 201001007075 (891696-M)]
"Record of Depositors"	:	A record of security holders provided by Bursa Depository to our Company under Chapter 24.0 of the Rules of Bursa Depository
"Rights Issue"	:	Renounceable rights issue of up to 490,567,490 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 on the Entitlement Date held as at 5.00 p.m. on Wednesday, 24 March 2021
"Rights Share(s)"	:	Up to 490,567,490 new LFE Shares to be issued at the Issue Price pursuant to the Rights Issue
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights Subscription Form in relation to the Rights Issue
"Rules"	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC, including any amendments thereof as may be made from time to time
"Rules of Bursa Depository"	:	The Rules of Bursa Depository as issued pursuant to the SICDA, including any amendments thereof as may be made from time to time
"SC"	:	Securities Commission Malaysia
"Share Registrar"	:	Boardroom Share Registrars Sdn Bhd [Registration No. 199601006647 (378993-D)]

DEFINITIONS (CONT'D)

"SICDA"	:	Securities Industry (Central Depository) Act 1991, as amended from time to time and all regulations made thereunder and any re-enactment thereof
"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 Rights Issue based on their shareholdings as at 2 October 2020, and any additional entitlements under the 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 the date of the Undertakings (i.e. 5 October 2020) up to the completion of the Rights Issue
"Undertaking Shareholders"	:	Liew Kiam Woon, Liew Teow Woon, Liew Meow Nyeon Realty Sdn Bhd and Ng Kok Kheng, who have collectively provided their respective irrevocable and unconditional undertakings for the purpose of meeting the minimum subscription level under Minimum Scenario
"UOBKH" or the "Principal Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd [Registration No. 199001003423 (194990-K)]
"USD"	:	United States Dollar
"VWAP"	:	Volume weighted average market price

All references to "our Company" in this Abridged Prospectus are to LFE and all references to "LFE Group" are to our Company and subsidiary collectively. All references to "we", "us", "our" and "ourselves" are to our Company, and where the context requires otherwise, shall include our subsidiaries. All references to "you" and "your" in this Abridged Prospectus are made to the Entitled Shareholders and/ or, where the context otherwise requires, their renounee(s) and/ or transferee(s) (if applicable).

Words incorporating the singular shall, where applicable include the plural and vice versa. Words incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Unless otherwise stated and wherever applicable, the amounts represented in this Abridged Prospectus have been rounded to the nearest whole cent, for ease of reference.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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ADVISERS' DIRECTORY

- COMPANY SECRETARY** : Wong Youn Kim (MAICSA 7018778)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
- Tel. No.: 03-2241 5800
Fax. No.: 03-2282 5022
- PRINCIPAL ADVISER** : UOB Kay Hian Securities (M) Sdn Bhd
Suite 19-03, 19th Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
- Tel. No.: 03-2147 1900
Fax. No.: 03-2147 1950
- DUE DILIGENCE SOLICITORS** : Messrs Tan, Goh & Associates
Unit 821, 8th Floor, Block A, Lift Lobby 6
Damansara Intan, No. 1 Jalan SS20/27
47400 Petaling Jaya, Selangor Darul Ehsan
- Tel. No.: 03-7727 7228
Fax. No.: 03-7731 9238
- SHARE REGISTRAR** : Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
- Tel. No.: 03-7890 4700
Fax. No.: 03-7890 4670
- REPORTING ACCOUNTANTS** : HLB AAC PLT (formerly known as Morison AAC PLT)
(for the pro forma consolidated financial statements of financial position of LFE Group)
(LLP0022843-LCA & AF001977)
Chartered Accountants
No 18 Jalan Pinggir 1/64, Jalan Kolam Air
Off Jalan Sultan Azlan Shah (Jalan Ipoh)
51200 Kuala Lumpur
- Tel. No.: 03-4048 2888
Fax. No.: 03-4048 2999
- Partner in charge : Teh Weil Xuan
Professional qualifications : Association of Chartered Certified Accountants ("ACCA") and Malaysian Institute of Accountants ("MIA")
(ACCA Membership No. 1510930)
(MIA Membership No. 42300)
- REPORTING ACCOUNTANTS** : UHY (AF1411)
(for the Accountants' Report of CPMSB)
Chartered Accountants
Suite 11.05, Level 11, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
- Tel. No. : 03-2279 3088
Fax. No. : 03-2279 3099
- Partner in charge : Lim Wan Yinn
Professional qualifications : ACCA and MIA
(ACCA Membership No. 0907540)
(MIA Membership No. 33941)
- STOCK EXCHANGE LISTING** : Main Market of Bursa Securities

SUMMARY OF THE RIGHTS ISSUE

THIS SUMMARY OF THE RIGHTS ISSUE ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS ABRIDGED PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE ABRIDGED PROSPECTUS.

Key information	Summary
Basis of allotment and number of Rights Shares to be issued pursuant to the Rights Issue	<p>: The Rights Issue entails an issuance of up to 490,567,490 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 by the Entitled Shareholders on the Entitlement Date.</p> <p>The Rights Shares which are not taken up or validly taken up shall be made available for Excess Application. Our Board intends to allocate the Excess Rights Shares in a fair and equitable manner in accordance with the procedures set out in Section 10.9 of this Abridged Prospectus.</p> <p>Further details are set out in Section 2 of this Abridged Prospectus.</p>
Issue price of the Rights Shares	<p>: RM0.08 per Rights Share</p> <p>Further details are set out in Section 2.1 of this Abridged Prospectus.</p>
Shareholders' undertakings	<p>: The Undertaking Shareholders, namely Liew Kiam Woon, Liew Teow Woon, Liew Meow Nyeen Realty Sdn Bhd and Ng Kok Kheng have provided their respective Undertakings for the Rights Issue and have undertaken to subscribe in full for their respective entitlements under the Rights Issue.</p> <p>As the Rights Issue will be undertaken on a minimum subscription level basis under the Minimum Scenario, we will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders and/ or their renounee(s) pursuant to the Rights Issue.</p> <p>Further details are set out in Section 3 of this Abridged Prospectus.</p>
Utilisation of proceeds and timeframe for utilisation	<p>: The gross proceeds to be raised from the Rights Issue will be utilised in the following manner:-</p>

Details of utilisation	Timeframe for utilisation	Amount of proceeds			
		Minimum Scenario		Maximum Scenario	
		RM'000	%	RM'000	%
Full/ partial settlement of the Cash Consideration for the Acquisition	Upon completion of the Rights Issue	9,894	93.4	18,236	46.5
Working capital	Within 12 months from completion of the Rights Issue	-	-	20,309	51.7
Estimated expenses	Upon completion of the Rights Issue	700	6.6	700	1.8
Total		10,594	100.0	39,245	100.0

Further details are set out in **Section 4** of this Abridged Prospectus.

SUMMARY OF THE RIGHTS ISSUE (CONT'D)

Key information	Summary
Rationale	<p>: i The 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 Rights Issue;</p> <p>ii The 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</p> <p>iii The 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.</p> <p>Further details are set out in Section 5 of this Abridged Prospectus.</p>
Risk factors	<p>: You should consider, amongst others, the following risk factors before subscribing for or investing in the Rights Issue:-</p> <p>i. LFE Group's business and performance are dependent on the key management and personnel, our ability to collect payment from customers, the fluctuations in interest rate and repayment commitments as well as the impact of the COVID-19 outbreak on our business and operations;</p> <p>ii. LFE Group's construction services business is dependent on the continuous supply of our raw materials at reasonable prices, our ability to replenish our order book and tender for construction services projects. LFE Group is also exposed to the risk of delay in completion of our construction services projects and our dependence on subcontractors; and</p> <p>iii. The market price of our Shares is influenced by the prevailing market sentiments, volatility of the equity markets, the outlook of the industries we operate in and our financial performance. Accordingly, there can be no assurance that the market price of the Rights Shares will be at a level that meets the specific investment objectives or targets of any holders of the Rights Shares.</p> <p>Further details are set out in Section 6 of this Abridged Prospectus.</p>
Procedures for application for the Rights Issue and Excess Rights Shares	<p>: Acceptance of and payment for the Provisional Rights Shares and application for the Excess Rights Shares must be made by way of the RSF enclosed together with this Abridged Prospectus and must be completed in accordance with the notes and instructions in the RSF.</p> <p>The last day, date and time for acceptance of and payment for the Provisional Rights Shares and the application and payment for the Excess Rights Shares is on Thursday, 8 April 2021 at 5.00 p.m.</p> <p>The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders may subscribe for and/ or renounce their respective entitlements under the Rights Issue in full or in part.</p> <p>Further details are set out in Section 10 of this Abridged Prospectus.</p>



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

24 March 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: The Entitled Shareholders

Dear Sir/ Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 490,567,490 RIGHTS SHARES AT THE ISSUE PRICE OF RM0.08 PER RIGHTS SHARE, ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 1 EXISTING LFE SHARE HELD AS AT 5.00 P.M. ON WEDNESDAY, 24 MARCH 2021

1. INTRODUCTION

On 5 October 2020, UOBKH had, on behalf of our Board, announced that we proposed to undertake the Corporate Exercises.

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 listing and quotation of up to 490,567,490 Rights Shares to be issued pursuant to the Rights Issue subject to the conditions set out below:-

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 Corporate Exercises;	Noted and to ensure compliance
b. LFE and UOBKH to inform Bursa Securities upon the completion of the Corporate Exercises;	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 Corporate Exercises are completed;	To be complied

Conditions	Status of compliance
d. Compliance by LFE with the public shareholding spread upon completion of the 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 Corporate Exercises.	Complied

On 2 February 2021, our shareholders had approved the Corporate Exercises at our EGM.

On 10 March 2021, UOBKH had, on behalf of our Board, announced the Entitlement Date and other relevant dates pertaining to the Rights Issue.

The listing and quotation of the Rights Shares to be issued pursuant to the Rights Issue will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by us or UOBKH.

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENT OF THIS ABRIDGED PROSPECTUS. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT A PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

The Rights Issue entails an issuance of up to 490,567,490 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 by the Entitled Shareholders on the Entitlement Date.

As at the LPD, we have an issued share capital of RM61,916,835 comprising 245,283,745 LFE Shares.

The Rights Issue is undertaken on the minimum subscription level, after taking into consideration the minimum amount of funds we wish to raise from the Rights Issue amounting to RM10,594,530. The minimum subscription level is based on the Undertakings provided by the Undertaking Shareholders vide their respective letters dated 5 October 2020 to subscribe for an aggregate of 132,431,622 LFE Shares pursuant to their respective Undertakings, further details of which are set out in **Section 3** of this Abridged Prospectus.

The Rights Issue has been structured on a minimum subscription level basis after taking into consideration the minimum level of funds of RM10,594,530 that our Company wishes to raise from the Rights Issue that will be channelled towards the proposed utilisation as set out in **Section 4** of this Abridged Prospectus. Assuming all the Entitled Shareholders subscribe in full for their respective entitlements of the Rights Shares, the Rights Issue would entail the issuance of 490,567,490 Rights Shares, raising gross proceeds of RM39,245,399.

The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders may subscribe for and/ or renounce their respective entitlements under the Rights Issue in full or in part.

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

The Rights Shares which are not taken up or validly taken up shall be made available for Excess Application by the other Entitled Shareholders and/ or their renounee(s) and to such other persons as our Board shall determine. Our Board intends to allocate the Excess Rights Shares in a fair and equitable manner in accordance with the procedures set out in **Section 10.9** of this Abridged Prospectus.

2.1 Basis and justifications of arriving at the Issue Price

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

- i. LFE Group's funding requirements of raising minimum gross proceeds of RM10.59 million under the Minimum Scenario and maximum gross proceeds of RM39.25 million under the Maximum Scenario for purposes set out in **Section 4** of this Abridged Prospectus;
- ii. The prevailing market conditions, which includes, amongst others, the market sentiments and volatility of the Malaysian stock market, and historical market price 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 the LTD. 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:-

Up to and including the LTD	VWAP RM	TERP RM	Discount to the TERP 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 LFE Shares	0.1987	0.1196	(0.0396)	(33.11)

(Source: Bloomberg Finance Singapore L.P.)

For shareholders' information, the issue price of RM0.08 per Rights Share represents a discount of 35.54% to the TERP of RM0.1241, computed based on the 5-day VWAP of LFE Shares up to and including the LPD of RM0.2123.

- iii. Notwithstanding the Rights Issue is undertaken on the minimum subscription level under the Minimum Scenario, it is the intention of our Board to achieve full subscription from the Entitled Shareholders to raise the maximum gross proceeds of RM39.25 million under the Maximum Scenario that will be channelled towards the proposed utilisation as set out in **Section 4** of this Abridged Prospectus.

Further, taking into consideration LFE Group's loss making position in the past few years, with only the recent audited 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 renounee(s) to subscribe for their respective entitlements; and

- iv. the future prospects of LFE Group as further discussed in **Section 7.3** of this Abridged Prospectus.

2.2 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.

2.3 Details of other corporate exercises

As at the date of this Abridged Prospectus, save for the Rights Issue and the Acquisition (further details as set out below), our Board confirms that there are no other corporate exercises which have been approved by the regulatory authorities but are pending completion.

2.3.1 Brief details on the Acquisition

On 5 October 2020, we had entered into a conditional shares sale agreement with RASB for the Acquisition ("**SSA**"). 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

Upon completion of the 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. For shareholders' information, it is our intention to enter into a contract of services agreement with the existing directors and key personnel of CPMSB to regulate their roles and responsibilities in CPMSB upon completion of the Acquisition.

In addition, as CPMSB will become our subsidiary company post-completion of the Acquisition, the performance and/ or operations of CPMSB will be monitored accordingly by our Board and senior management. Nonetheless, upon completion of the 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.

Description of 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 civil and structural ("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 mechanical and electrical ("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	Maarji 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 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/ 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 (Phase 1)	Laut 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, Setlangor	Subcontractor for C&S works	10 June 2020	June 2020/ November 2021	70,027	53,303
Total						158,863	142,139

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 20 months. For information purposes, CPMSB's 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 ordinary shares in CPMSB ("CPMSB Share(s)"). The directors of CPMSB and their respective direct and indirect shareholdings in CPMSB as at the LPD are as follows:-

Directors	Designation	Nationality	Direct		Indirect	
			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 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----->		<-----Indirect----->	
		No. of CPMSB Shares	%	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

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 II** of this Abridged Prospectus 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 GP 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 GP 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.

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; and
- ii. the outstanding order book of CPMSB and the future prospects of CPMSB and the enlarged LFE Group.
- 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 RM142.14 million of CPMSB as at the LPD which is expected to provide earnings visibility for the next 20 months as mentioned above;
- iv. the future prospects of CPMSB and the enlarged LFE Group as set out in **Section 7.3** of this Abridged Prospectus; and
- v. the rationale and benefits of the Acquisition as mentioned below.

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:-

$$\frac{\text{Price}_{\text{market}}}{\text{EPS}}$$

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**

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.

Purely for shareholders' information, other methods of valuation were not adopted for the evaluation of the Purchase Consideration of CPMSB in the 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.

We have compared 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. Based on the valuation statistics carried out, 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,

further details of which has been set out in the Circular to shareholders pertaining to the Corporate Exercises dated 18 January 2021 ("**Circular**"). Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) are advised to refer to the Circular for further information.

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 LFE Shares	0.1988	0.1196	(0.0196)	(16.39)

(Source: Bloomberg Finance Singapore L.P.)

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 Acquisition. In this respect, the 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 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 Rights Issue and the shortfall of approximately RM8.34 million will be funded via a combination of internally generated funds and/ or bank borrowings; 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 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.

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.

Mode of settlement for 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}	Paid 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 tentatively by second quarter of 2021	18,236,000	66.2
b.	Issuance of 65,500,000 Consideration Shares at RM0.10 each		6,550,000	23.8
		Total	27,540,000	100.0

Note:-

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

Source of funding

Under the Maximum Scenario, the Remaining Cash Payment will be funded entirely via the proceeds to be raised from the 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 completion of the Rights Issue. Purely for illustrative purposes, the indicative allocation at this juncture is as follows:-

	RM'000	%
Internally generated funds	1,500	18.0
Bank borrowings*1	6,841	82.0
	8,341	100.0

Note:-

*1 For information purposes, we have approached licensed financial institutions for the purpose of obtaining the necessary financing. Nevertheless, the salient terms of the financing (i.e. loan tenure, interest rates) can only be finalised once the final amount required for the financing is determined, which is upon the completion of the Rights Issue

Rationale and benefits of the 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 Acquisition is in line with our strategy to expand LFE Group's construction services business. Our projects are primarily based in the Klang Valley while CPMSB's projects are primarily based in Penang, Kelantan and Klang Valley. Accordingly, the 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. The Acquisition may also enhance LFE Group's earnings base premised on the Total Profit Guarantee provided by RASB 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.

Further, 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 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 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 above) will ease the cash outflow required for the Acquisition.

Liabilities to be assumed by LFE

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

Status of the Acquisition

The completion of the Acquisition is subject to, amongst others, the fulfilment of the conditions precedent as set out in the SSA in respect of the Acquisition and its status as at the LPD are set out below:-

Conditions precedent	Status
a. LFE obtaining the approval in principle of Bursa Securities for the listing and quotation for the Consideration Shares in favour of the Vendor or its nominees as notified in writing to LFE (" Vendor's Nominees ");	Completed on 4 January 2021
b. LFE obtaining the approval of its shareholders for the acquisition of the Sale Shares and the issuance and allotment of the Consideration Shares to the Vendor or the Vendor's Nominees;	Completed on 2 February 2021
c. LFE completing a proposed renounceable rights issue exercise of up to 490,567,490 new ordinary shares in LFE;	To be fulfilled upon completion of the Rights Issue
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.	To be fulfilled by March 2021

2.4 Details of fund raising exercises in the past 12 months

For shareholders' information, on 13 October 2020, we had completed a private placement of up to 40,880,624 new LFE Shares ("**Placement Shares**"), representing up to 20% of the total number of issued Shares ("**Private Placement**") whereby:-

- i. 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; and
- ii. 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	Actual amount raised		Amount utilised as at the LPD		Balance unutilised	
		RM'000	%	RM'000	%	RM'000	%
Working capital for new projects ¹	Within 12 months from the receipt of placement funds	2,580	54.0	1,694	36.4	886 ³	100.0
General capital ²	working	2,128	44.6	2,128	61.5	-	-

	Expected timeframe for utilisation	Actual amount raised		Amount utilised as at the LPD		Balance unutilised	
		RM'000	%	RM'000	%	RM'000	%
Expenses in relation to the Private Placement	Upon completion of the Private Placement	67	1.4	67	2.1	-	-
Total		4,775	100.0	3,889	100.0	886	100.0

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)	1,398
Total	2,128

*3 The outstanding unutilised proceeds will be used to finance the working capital for our new projects. The breakdown of which 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	576
Other operating expenses (e.g. project staff overheads and project office overheads)	310
Total	886

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, we had not undertaken any other equity fund-raising exercises in the past 12 months.

3. IRREVOCABLE AND UNCONDITIONAL UNDERTAKINGS

Our Company shall undertake the Rights Issue on a minimum subscription level basis to raise the minimum level of funds we intend to raise from the Rights Issue amounting to RM10,594,530 under the Minimum Scenario. The minimum subscription level was determined by our Board after taking into consideration, the minimum level of funds of RM10.59 million that our Company wishes to raise from the Rights Issue that will be channelled towards the proposed utilisation as set out in **Section 4** of this Abridged Prospectus.

The Undertaking Shareholders, namely Liew Kiam Woon, Liew Teow Woon, Liew Meow Nyeon Realty Sdn Bhd and Ng Kok Kheng had, on 5 October 2020, provided their irrevocable and unconditional Undertakings in which they have undertaken to subscribe in full for their entitlement under the Rights Issue based on their shareholdings in LFE as at 2 October 2020 (being the last traded day of LFE Shares prior to the announcement of the Corporate Exercises), and any additional entitlements under the 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 Rights Issue		Funding required RM
	No. of Shares	% ^{*1}	No. of Rights Shares	% ^{*2}	No. of Shares	% ^{*3}	
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 Nyea 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 Rights Issue under the Minimum Scenario

For clarification purpose, Liew Kiam Woon, Liew Teow Woon and Liew Meow Nyea 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 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 principal adviser for the Rights Issue. For shareholders' information, the aggregate amount of RM10,594,530 (being the proceeds to be raised to meet the minimum subscription level of the Rights Issue) has been deposited into the "**LFE RIGHTS SHARES ACCOUNT**" on 10 March 2021 (being the date of the announcements of the Entitlement Date and other relevant dates pertaining to the Rights Issue) by the Undertaking Shareholders.

As the Rights Issue will be undertaken on the minimum subscription level under the Minimum Scenario, 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 renounee(s) pursuant to the 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 (excluding treasury shares, if any) are in the hands of public shareholders. As at the LPD, our Company does not hold any treasury shares. Our public shareholding spread is not expected to fall below 25% of our enlarged issued share capital after the completion of the Rights Issue under the Minimum Scenario.

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

	As at the LPD		After the Rights Issue	
	No. of Shares	%	No. of Shares	%
Share capital	245,283,745	100.0	377,715,367	100.0
Less: Directors'/ shareholders'/ shareholdings/ shareholders*1	125,171,289	51.0	257,602,911	68.2
	substantial associates' non-public			
Public shareholdings	120,112,456	49.0	120,112,456	31.8

Note:-

*1 Being the shareholders of LFE who hold less than 100 LFE Shares

As illustrated in the table above, upon completion of the 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.

4. UTILISATION OF PROCEEDS

The Rights Issue is expected to raise gross proceeds of up to approximately RM39.25 million. Our Company intends to utilise the proceeds arising from the Rights Issue in the following manner:-

Proposed Utilisation	Minimum Scenario		Maximum Scenario		Timeframe for utilisation from completion of the Rights Issue
	RM'000	%	RM'000	%	
Full/ partial settlement of the Cash Consideration for the Acquisition*1	9,894	93.4	18,236	46.5	Upon completion
Working capital*2	-	-	20,309	51.7	Within 12 months
Estimated expenses in relation to the Corporate Exercises*3	700	6.6	700	1.8	Upon completion
Total gross proceeds	10,594	100.0	39,245	100.0	

Notes:-

*1 **Full/ partial settlement of the Cash Consideration for the Acquisition**

The earmarked proceeds of up to RM18.24 million will be utilised to full/ partial settlement of the Cash Consideration for the Acquisition, details of which are set out in **Section 2.3.1** of this Abridged Prospectus.

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 the Purchase Consideration of RM2,754,000 which has been satisfied entirely via LFE Group's internally generated funds and paid on 5 October 2020) of RM18.23 million will be financed via proceeds to be raised from the 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 Rights Issue and the shortfall of approximately RM8.34 million will be funded 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 completion of the Rights Issue. Purely for illustrative purposes, the indicative allocation at this juncture is as follows:-

	RM'000	%
Internally generated funds	1,500	18.0
Bank borrowings	6,841	82.0
	8,341	100.0

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

The Acquisition is subject to the fulfilment of conditions precedent pursuant to the SSA which includes, amongst others, the successful completion of the Rights Issue and the results of the due diligence on CPMSB being satisfactory to the Company. The due diligence on CPMSB is being undertaken in stages, with the primary review having been completed in December 2020. Presently, the Company is in the process of updating its due diligence on CPMSB which is expected to be completed by March 2021.

If the conditions precedent are unable to be fulfilled, this may lead to a termination of the SSA, and result in non-completion of the Acquisition. In the event the Acquisition fails to materialise after the completion of the Rights Issue, LFE Group will allocate the proceeds towards any other suitable and viable potential business(es)/ investment(s), as and when it arises, within 24 months from the completion of the Rights Issue, which may include, but is not limited to, investment(s) in joint ventures for co-participation in undertaking construction services project(s) for our existing business and/ or strategic investment in business(es) which are complementary in nature with LFE Group's existing businesses.

*2 Working capital

The proceeds set out in the table above of up to RM20.31 million will be earmarked for working capital requirements.

As at the LPD, LFE Group has cash and bank balances of RM1.24 million. Notwithstanding the foregoing, it is the intention of our Board to raise additional fresh funds so as to retain an adequate cash level for working capital within LFE Group to finance our existing operations and project as well as any new projects to be secured in the future over the short term. The aforesaid proposed allocation will also strengthen our cash flow position and provide us with higher flexibility in respect of financial allocations for our operational requirements and short term obligations without incurring additional debt servicing obligations (i.e. cash flow availability to cover interest and principal on debt obligations).

The proceeds earmarked for working capital will be primarily channelled towards the procurement of raw materials for the AraTre' Residences project (as mentioned below), payment to subcontractors, project overheads and administrative cost. 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 31 December 2020 stood at RM12.86 million and the turnover period for trade payables is 157 days.

Notwithstanding that, and on a best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows:-

Details of working capital	Estimated allocation of proceeds %
Procurement of raw materials for the Ara Tre' Residences project which include concrete, steel bars, cement, tiles, mechanical and electrical materials	25.0
Payment to subcontractors	45.0
Project overheads (i.e. project staff cost and accommodation for project staff and rental of equipment)	15.0
Administrative cost (i.e. office upkeep, utilities and administrative staff's salary)	15.0
	100.0

LFE 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 Bhd	Sdn December 2019/ November 2021	34,504	33,335

Notwithstanding the above, our Board wishes to highlight that the amount of up to approximately RM20.31 million is dependent on the eventual subscription rate of the Rights Issue and purely based on the assumption that the Rights Issue is fully subscribed. The actual amount to be utilised for working capital requirements may differ subject to the operating requirements at the time of utilisation. In the event of a surplus/ deficit in the allocated amounts for the aforesaid working capital requirements, such variance will be adjusted to/ from the proceeds allocated for other working capital requirements, depending on the respective funding requirements at that point of utilisation.

***3 Estimated expenses in relation to the Corporate Exercises**

The estimated expenses in relation to the Corporate Exercises amount to approximately RM0.70 million. The proceeds earmarked for such expenses shall be utilised in the following manner:-

Details of estimated expenses	RM'000
Professional fees (i.e. principal adviser, due diligence solicitors, company secretary, reporting accountants and share registrar)	550
Fees payable to the relevant authorities (i.e. Bursa Securities, SC and Companies Commission of Malaysia)	80
Other incidental expenses in relation to the Corporate Exercises such as convening of the EGM, printing and advertising costs and miscellaneous expenses	70
Total	<u><u>700</u></u>

If the actual expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than budgeted, the excess will be utilised for working capital purposes.

Pending the utilisation of the proceeds from the Rights Issue for the above purposes, the proceeds are intended to be placed in deposits with licensed financial institutions or short-term money market instruments as our Board may deem fit. The interest derived from the deposits with licensed financial institutions or any gain arising from the short-term money market instruments will be used as additional working capital of LFE Group.

The actual gross proceeds to be raised from the Rights Issue will depend on the actual number of Rights Shares that will be issued. In the event we do not achieve full subscription of the Rights Issue, we will not be able to raise the amount of RM39.25 million under the Maximum Scenario and in such event, the amount of proceeds raised will be utilised in the following priority:-

- i. Full/ partial settlement of the Cash Consideration for the Acquisition;
- ii. Estimated expenses in relation to the Corporate Exercises; and
- iii. Working capital.

5. RATIONALE AND JUSTIFICATION FOR THE RIGHTS ISSUE

Our Board is of the view that the Rights Issue is the most appropriate avenue to raise the necessary funding for LFE Group as set out in **Section 4** of this Abridged Prospectus after taking into consideration the following:-

- i. The 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 Rights Issue;
- ii. The 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 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.

6. RISK FACTORS

In addition to other information contained elsewhere in this Abridged Prospectus, you should consider carefully the following risk factors which may have an impact on the future performance of LFE Group before subscribing for or investing in the Rights Issue.

6.1 Risks relating to LFE Group

6.1.1 Dependence on key management and personnel

The performance and success of LFE Group's business and operations are dependent, among others, on the skills, abilities, experience, competencies and on-going efforts of LFE Group's key management and qualified personnel including but not limited to directors, chief executive officers, engineers and project managers. Should we fail to recruit suitable candidates to replace any such key management or qualified personnel in a timely manner, LFE Group's business and operations may be adversely affected.

LFE Group's success also depends on our ability to hire, train and retain qualified and competent personnel. The process of identifying personnel with necessary experience, capabilities and characteristics required to carry out LFE Group's projects and business strategies can be difficult, time consuming and expensive.

There may be a material adverse impact on LFE Group's business and financial performance in the event we are unable to successfully retain LFE Group's key management and qualified personnel and/ or recruit suitable candidates to replace any such key management or qualified personnel in the future.

6.1.2 Credit risks

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may affect the ability to meet contractual obligations as a result of changes in economic, political or other conditions. Generally, the risk of potential bad debts is considered to affect most businesses. We may experience delays in payment from our customers, or in more severe cases, we may not be able to collect payment. In the likelihood or event of payment defaults, we would have to make provisions for doubtful debts or incur bad debts written off, which will have an adverse impact on our profitability. For shareholders' information, we had recorded impairment loss on trade receivables amounting to RM1.67 million (12-month FYE 31 July 2017), further details of which is set out in **Section 7.1 of Appendix I** of this Abridged Prospectus.

There can be no assurance that all our debts would be collected. Our financial performance could be adversely affected in the event of write-offs and/ or provisions for doubtful debts.

6.1.3 Financing risk

Under the Minimum Scenario, the settlement of the Purchase Consideration Shortfall will be financed by a combination of internally generated funds and/ or bank borrowings as well as the proceeds to be raised from the Rights Issue. Therefore, LFE Group may be exposed to fluctuations in interest rate and repayment commitments upon completion of the Corporate Exercises. Any adverse movement in the interest rates may have an adverse impact on the cash flows and LFE Group's financial performance in the future.

6.1.4 Impact of COVID-19 on the business and operations of LFE Group

The Government had implemented the MCO which took effect from 18 March 2020 following the declaration of COVID-19 outbreak as the global pandemic made by the World Health Organisation on 11 March 2020. As highlighted in **Section 7.2** of this Abridged Prospectus, the construction sector recorded a larger contraction which was mainly affected by labour shortages, site shutdowns due to COVID-19 outbreaks and interruptions in progress of selected work packages, particularly in the civil engineering and residential sub sectors. As a result of the MCO, our construction services business operations have been temporarily disrupted since March 2020 during the earlier MCO phase due to lockdown/ restriction measures and to comply with standard operating procedures in line with the National Security Council and the Ministry of Health for COVID-19 infection control measures ("**SOPs**") put in place. The subsequent implementation of conditional MCO and the recovery MCO by the Government had allowed certain business sectors to resume operations, which include our construction services operations.

LFE Group

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. Given that LFE Group is not considered involved in the business of providing essential services, the operations of LFE Group had been temporarily suspended for the purpose of complying with the MCO. LFE Group had resumed business operations including the construction services activities for our on-going project from 4 May 2020 onwards where the conditional MCO took effect albeit with strict standard operating procedures in place to ensure compliance with the rules imposed by the Government during the conditional MCO period.

During the initial stage of MCO period, the progress of our on-going project such as AraTre' Project was temporarily halted due to the closure of our business operations from March 2020 to May 2020 as a result of the restriction and control measures put in place to mitigate the COVID-19 outbreak. We have since May 2020 resumed our construction services operations and there has been no positive COVID-19 case detected at any of our sites as at the LPD.

Notwithstanding the above, despite the outbreak of COVID-19 and imposition of MCO and conditional MCO, we have not experienced any termination or cancellation of any of our on-going project. During the MCO period and as at the LPD, we have not encountered any delay in any of our project whereby our extension of time is not approved by our customers. Further, there has not been any reduction in the contracted value or the contracted terms of our on-going project as a result of the COVID-19 pandemic. For shareholders' information, the costs incurred throughout the MCO period to comply with the SOPs (i.e. sanitisation expenses, screening tests, and purchase of personal protective equipment) was approximately RM30,000. We had recorded lower revenue of RM13.43 million for the FYE 31 December 2020 which represents a decrease of RM5.43 million or 28.79% as compared to the preceding financial year of RM18.86 million as a result of the closure of our business operations. Further details of our financial performance for the unaudited 12-month FYE 31 December 2020 are set out in **Section 7.1, Appendix I** of this Abridged Prospectus.

In addition, Klang Valley had experienced a spike in the number of COVID-19 cases since end November 2020, some of which were detected at construction sites located in Kuala Lumpur. As at the LPD, we have not received any new directives on the requirements to perform COVID-19 tests on construction workers following the spike of COVID-19 cases at the construction sites.

Nevertheless, as part of our plans to ensure sustainability in our business operations, we will continue to implement cost-cutting and cost saving measures such as managing our operating costs and monitoring the cost of construction materials. Additionally, we will continue to operate our construction services business with compliance to the SOPs issued by the National Security Council, including temperature screening for all workers before entering our sites, allocation of workforce in small groups and on shifts, and minimising clusters to the extent possible. As at the LPD, we have not been in breach of any directives or restrictions issued by the Government, which may lead to penalties and fines by the regulatory authorities. We will continue to strictly adhere to the COVID-19 directives and restrictions as may be imposed by the regulatory authorities from time to time.

The outbreak of COVID-19 is an event of force majeure that is beyond the control of LFE Group. As highlighted in **Section 7.1** of this Abridged Prospectus, the Government has introduced various incentives to mitigate the economic impact including supporting business continuity as well as to strengthen the welfare programs in Malaysia following the implementation of the MCO due to the COVID-19 pandemic in Malaysia, which include, amongst others:-

- i. 2021 Budget measures (hiring incentive for sectors with a high reliance on foreign workers such as construction sector and the Government through Majlis Amanah Rakyat will also provide RM50 million as financing access to construction contractors under the Skim Pembiayaan Kontrak Ekspres (SPIKE), offered to Bumiputera contractors who deal with the Government to facilitate cash flow in implementing projects); and
- ii. Malaysian Economic and Rakyat's Protection Assistance Package (PERMAI), the recent fifth economic stimulus package introduced by the Government since the outbreak of the COVID-19 pandemic in Malaysia, to provide, amongst others, businesses an extended timeline to perform their contractual obligation, wage subsidy program for employers currently operating in states under the second MCO, financial guarantee scheme to help large companies obtain working capital with an emphasis on long-term financing as well as to expedite the implementation of a micro-credit scheme valued at RM1 billion.

Nevertheless, the success of the aforesaid measures or any future measures which may be introduced by the Government cannot be ascertained at this juncture, and the impact of COVID-19 on our future financial performance remains uncertain at this juncture. Further, with the introduction of COVID-19 vaccine, LFE Group does not expect the impact of COVID-19 to persist in the long run, nevertheless, LFE Group will adhere to the SOPs imposed by the Government.

Premised on the above, and barring any unforeseen circumstances, our Board opines that the COVID-19 outbreak and series of MCO are not expected to have any material adverse impact on our business and operations in the long run. Notwithstanding that, our Board wishes to highlight that as the circumstances pertaining to the said outbreak are rather fluid and uncertain in these unprecedented times, there can be no assurance that the statements made above, which are based on information and circumstances known at this juncture, will continue to be accurate moving forward.

CPMSB

CPMSB is principally involved in the provision of C&S works and M&E works. During the earlier phase of MCO, the operations of CPMSB had been temporarily suspended and its administrative staffs were working from home for the purpose of complying with the MCO. Further, since the recommencement of CPMSB's construction operations in May 2020 (in line with the partial reopening of economy from 4 May 2020 onwards), CPMSB has gradually increased its administrative workforce and construction workers on site.

For shareholders' information, the costs incurred throughout the MCO period to comply with the SOPs (i.e. sanitisation expenses, screening tests, and purchase of personal protective equipment) was approximately RM60,000. During the MCO period and as at the LPD, CPMSB has not experienced any termination or cancellation of any of its on-going projects. Further, there has not been any reduction in the contracted value or the contracted terms of its on-going projects as a result of the COVID-19 pandemic. CPMSB has 2 outstanding projects for FYE 31 December 2020 and only one of its project had commenced construction works in August 2020, further details on the outstanding order book of CPMSB are set out in **Section 2.3.1** of this Abridged Prospectus.

Whilst there have been no material interruptions to CPMSB's construction operations, save for the temporary suspension of operations during the earlier phase of MCO, any adverse developments to the COVID-19 pandemic may lead to suspension of CPMSB's operations, with stricter conditions, SOPs and compliance requirements imposed by the relevant regulatory authorities. In addition, any confirmed cases of COVID-19 at CPMSB's construction sites or offices may also lead to a suspension of operations.

6.2 Risks relating to the construction industry**6.2.1 Increase in price or shortage of raw materials**

Due to the nature of our construction services business, LFE Group depends on a continuous supply of raw materials and we will constantly source and purchase a wide range of construction services materials, which includes steel bars, ready mixed concrete, precast products, electrical cables and fittings from our suppliers at reasonable prices. The market prices of such raw materials may fluctuate in response to changes in market supply and demand conditions.

Any sudden and/ or unexpected shortage of supply (e.g. due to events of force majeure, such as adverse weather conditions or the on-going COVID-19 pandemic, or our suppliers deciding to reduce the quantum of their supply to LFE Group), may require us to source for suitable replacements in a timely manner. Failure to obtain the replacements in a timely manner may lead to delays in our construction works and as a result thereof, our business operations may be adversely affected. Hence, under such circumstances, there is no assurance that we are able to obtain sufficient quantities of construction materials for our projects at competitive prices at all times without any adverse impact to our financial performance. For shareholders' information, as at the LPD, LFE Group has not entered into any long-term/ recurring contracts with our raw material suppliers.

Further, the raw materials of the construction services are subject to price fluctuations which are beyond our control and may result in increased costs that have a material adverse effect on our financial performance. Notwithstanding the above, we have not experienced any fluctuations in prices or shortages of construction materials in the past up to the LPD which have had a material adverse impact on our financial performance.

6.2.2 Dependency on award of new contracts

As the nature of our construction services business is project-based, there is no assurance that we are 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 our ability to secure new projects to sustain our order book. If we are unable to do so, our order book may decline and this may cause a material adverse impact on LFE Group's growth potential, and future financial performance. In addition, it is generally difficult to predict whether and when we will be awarded with such contracts as the bidding and selection process is often lengthy, complex and very competitive.

6.2.3 Delay in completion of the construction services works

The performance of LFE Group's construction services business is dependent on the timely completion of our construction services projects and external factors, some of which may be beyond the control of LFE Group such as obtaining various regulatory approvals as scheduled. Other factors that may cause delays include site accidents and shortage of raw materials as well as changes to regulatory environment and framework.

Any delay in completing the construction services projects within the agreed timeframe may expose LFE Group to additional cost and potential claims which may impact LFE Group's profitability. Such delays may also affect LFE Group's reputation which would then adversely affect LFE Group's ability to successfully bid for other construction services projects in the future. This may then affect LFE Group's ability to replenish our order book, thus affecting future financial performance. For the past 3 financial years and up to the LPD, we have not encountered any delay in any of our projects within the designated period. In addition, for the past 3 financial years and up to the LPD, CPMSB (being our target company pursuant to the Acquisition) has not encountered any delay in any of its projects within the designated period.

For shareholders' information, delay in completion of construction services works as a result of force majeure events such as COVID-19 will not result in liquidated and ascertained damages ("LAD")^{*1} penalties imposed should the company be able to obtain the necessary approval for extension of time for the completion of its construction projects (as the timeframe for completing the construction works will be extended by project owners) and able to meet the revised schedule. Further, as mentioned above, LFE Group and CPMSB have not experienced any delay in completion of the construction services works in the past 3 financial years and accordingly no LAD penalties had been imposed on them.

Note:-

- *1 LAD are damages due to customer calculated at a rate as stated in the contract agreement when a contractor fails to deliver the completed work within a period stipulated in the contract agreement

6.2.4 Dependence on subcontractors

LFE Group may engage and appoint subcontractors from time to time. As such, the performance and profitability of our projects are dependent on the quality, pricing, performance and reliability of the appointed subcontractors to carry out the projects within the prescribed timeframe. The subcontractors may be appointed for specific mechanical and electrical engineering services including, amongst others, installation of heating, ventilation and air conditioning systems, fire safety and protection systems and energy supply systems.

Although we strive to award contracts to competent subcontractors, there is no assurance that our financial performance will not be adversely affected if our appointed subcontractors fail to provide the agreed contracted services in a timely, reliable and satisfactory manner. Although we may claim compensation from our appointed subcontractors for any non-performance or unsatisfactory performance, we may be required to compensate our customers in advance prior to the receipt of the compensation from the subcontractors. We may also suffer losses which may adversely affect our financial performance in the event that we are unable to recover the compensation amount from our appointed subcontractors, whether in full or in part.

Notwithstanding the above, we have not experienced any past instances where any delay or non-performance by our appointed subcontractors have had a material adverse impact on our financial performance.

6.3 Risks relating to the Rights Issue

6.3.1 Investment and market risks

The market price of our Shares as traded on Bursa Securities is influenced by, amongst others, the prevailing market sentiments, volatility of the equity markets, the outlook of the industries which we operate in as well as our financial performance. In view of this, there can be no assurance that our Shares will trade at or above the issue price of the Rights Shares upon or subsequent to the listing and quotation of the Rights Shares on the Main Market of Bursa Securities.

Accordingly, there can be no assurance that the market price of the Rights Shares will be at a level that meets the specific investment objectives or targets of any holders of the Rights Shares.

6.3.2 Delay in or abortion of the Rights Issue

The Rights Issue is exposed to the risk that it may be aborted or delayed on the occurrence of any material adverse change of events/ circumstances, unfavourable changes in the governments' policies as well as other force majeure events, which are beyond the control of our Company and UOBKH, arising prior to or during the implementation of the Rights Issue.

Nevertheless, LFE Group will endeavour to ensure the successful listing of the Rights Shares. However, there can be no assurance that the above-mentioned events will not occur and cause a delay in or abortion of the Rights Issue. In the event the Rights Issue is aborted, LFE Group will repay without interest all monies received in respect of the accepted application for the subscription of the Rights Shares pursuant to the Rights Issue and if such monies are not repaid within 14 days after we become liable to repay, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event that the Rights Issue is aborted/ terminated, and the Rights Shares have been allotted to the shareholders, a return of monies to all holders of the Rights Shares could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time or at all in such circumstances.

6.3.3 Potential dilution

The Entitled Shareholders who do not or are not able to subscribe for their entitlement(s) under the Rights Issue will have their proportionate ownership and voting interest in our Company reduced and the percentage of our enlarged issued share capital represented by their shareholding in our Company will also be reduced accordingly as a result of the issuance of the Rights Shares. Consequently, their proportionate entitlement to any dividends, rights, allotments and/ or other distributions that our Company may declare, make or pay after completion of the Rights Issue will correspondingly be diluted.

6.4 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical data, which may not be reflective of the future results and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this Abridged Prospectus are based on assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section of the Abridged Prospectus. In view of these uncertainties, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of LFE Group will be achieved.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF LFE GROUP

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%), largely attributable to the imposition of the conditional MCO on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

Domestic demand recorded a decline of 4.4% in the fourth quarter of 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports. Private consumption contracted by 3.4% (3Q 2020: -2.1%). Household spending was subdued amid continued weaknesses in income and employment conditions during the quarter. Spending was also affected by tighter movement restrictions in selected states. Nevertheless, the decline in physical spending was partly mitigated by the continued acceleration in online spending. During the quarter, consumer expenditure also remained supported by various stimulus measures including the EPF i-Lestari withdrawals, the continued support to affected borrowers under the Targeted Repayment Assistance (TRA) and lower passenger car sales tax. Meanwhile, public consumption continued to expand, albeit at a more moderate pace of 2.7% in the fourth quarter of 2020 (3Q 2020: 6.9%), supported by spending in emoluments.

Gross fixed capital formation contracted further by 11.9% (3Q 2020: -11.6%), as capital spending from both private and public sectors remained relatively weak. By type of asset, investment in structures contracted by 13.1% (3Q 2020: -12.9) while investment in machinery & equipment declined by 9.0% during the quarter (3Q 2020: -8.3%). Private investment recorded a smaller decline of 7.0% (3Q 2020: -9.3%), mainly supported by continued capital spending in existing projects, particularly in the export-oriented industries. Meanwhile, public investment registered a larger decline of 19.8% (3Q 2020: -18.6%). This reflects lower spending on fixed assets by the general government and weaker demand in most sectors which continued to weigh on capital spending by public corporations.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth 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)

7.2 Overview and outlook of the construction industry in Malaysia

The construction sector registered a larger contraction (-13.9%; 3Q 2020: -12.4%). Labour shortages, site shutdowns due to COVID-19 outbreaks and interruptions in progress of selected work packages have affected growth, particularly in the civil engineering and residential sub sectors. The special trade sub sector, however, continued to register positive growth following support from small-scale projects under the PRIHATIN stimulus package.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth 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)

7.3 Future prospects of LFE Group

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 RM33.35 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.

As set out in **Section 7.1** of this Abridged Prospectus, 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. Currently, various states in Malaysia are still placed under conditional/recovery MCO where restrictions have started to ease and inter-district travel would be permitted from 5 March 2021, except for Sabah, while inter-state travel is still not allowed. Nonetheless, LFE Group has fully resumed operations whilst observing SOPs since 4 May 2020. Further, LFE Group has adopted various measures such as implementing preventive health and safety measures as highlighted in **Section 6.1.4** of this Abridged Prospectus as well as exercise caution in managing its operating expenses to mitigate the impact of the COVID-19 pandemic.

Further, in recent years, LFE Group had undertaken the following series of equity fund raising exercises as part of our efforts to improve our financial condition:-

- i. On 2 May 2019, we completed a private placement exercise pursuant to Section 76 of the Act, which raised gross proceeds of RM1.67 million. A portion of the proceeds raised of RM1.59 million has been utilised for general working capital whereas the remaining proceeds of RM0.08 million was utilised to defray expenses in relation to the said private placement exercise; and
- ii. On 13 October 2020, we completed the Private Placement, which raised gross proceeds of RM4.77 million. A portion of the proceeds raised of RM2.58 million will be used to fund the working capital for our projects, RM2.13 million to fund the general working capital whereas the balance proceeds of RM0.07 million was utilised to defray expenses in relation to the said private placement exercise, further details of which is set out in **Section 2.4** of this Abridged Prospectus.

The corporate exercises above were undertaken with the objective of improving the financial condition of the LFE Group as it serves as an additional source of funding for LFE Group without relying on conventional bank borrowings, which may otherwise result in LFE Group incurring additional debt repayment obligation. Additionally, amongst the recent key steps taken to address our financial concerns, LFE Group has undertaken (i) cost rationalisation exercise undertaken in the third quarter of 2019 to reduce administrative and other operating expenses (i.e. consolidation and centralisation of the operations to our main office located in Kuala Lumpur as well as closure of the oversea office located at Abu Dhabi in the 17-month FYE 31 December 2018). 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 7.1 of Appendix I** of this Abridged Prospectus, 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.

As such, the Corporate Exercises are expected to further improve LFE Group's revenue and earnings moving forward after taking into consideration, amongst others, the following:-

- i. a portion of the proceeds arising from the Rights Issue is intended for the full/partial settlement of the Cash Consideration for the Acquisition. Our Board anticipates that the 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;
- ii. a portion of the proceeds arising from the Rights Issue is also intended to fund LFE Group's immediate working capital requirements to finance our existing operations and project as well as any new projects to be secured in the future. Such proceeds will enable LFE Group to retain an adequate cash level and flexibility in respect of financial allocations for its operational requirements and short term obligations and liabilities, which in turn may enable the Group to carry out its day-to-day operations in a more efficient and timely manner; and
- iii. barring any unforeseen circumstances, the achievement of the Total Profit Guarantee by CPMSB pursuant to the Acquisition is expected to improve the consolidated earnings and cash flows position of LFE Group throughout the profit guarantee period (i.e. FYE 31 December 2021 and FYE 31 December 2022 of CPMSB) and the Acquisition is expected to be earnings accretive to the enlarged LFE Group.

The 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 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.

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 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 RM142.14 million as at the LPD from the 2 on-going construction projects, which provides earnings visibility for the next 20 months. As highlighted above, should suitable opportunities arise, our management will tender for new contracts to replenish the enlarged LFE Group's orderbook.

(Source: Management of LFE)

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

Purely for illustrative purpose, the pro forma effects of the Rights Issue as presented herein and the ensuing pages have also taken into consideration the effects of the Acquisition (where relevant).

8.1 Issued share capital

The pro forma effects of the Rights Issue and Acquisition on our issued share capital are 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 Rights Issue	132,431,622	10,594,530 ^{*1}	490,567,490	39,245,399 ^{*1}
Estimated expenses in relation to the Corporate Exercises	-	(365,000)	-	(365,000)
	377,715,367	72,146,365	735,851,235	100,797,234
Consideration Shares to be issued pursuant to the 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.

8.2 NA and gearing level

For illustration purpose only, based on the latest unaudited 12-month FYE 31 December 2020 and on the assumption that the Rights Issue and Acquisition had been effected on that date, the pro forma effects of the Rights Issue and the Acquisition on our consolidated NA per Share and gearing of LFE Group are set out as follows:-

Minimum Scenario

	Unaudited as at 31 December 2020 RM'000	I	II
		After the Rights Issue ^{*1} RM'000	After I and after the Acquisition ^{*3} RM'000
Share capital	61,917	72,146 ^{*2}	78,696
Other reserves	18,911	18,911	18,911
Accumulated losses	(43,784)	(43,828) ^{*2}	(44,119) ^{*2}
Shareholders' fund/ NA	37,044	47,229	53,488
Non-controlling interest	-	-	7,992 ^{*4}
Total equity	37,044	47,229	61,481
No. of Shares issued ('000)	245,284	377,715	443,215
NA per Share (RM)	0.15	0.13	0.12
Total borrowings (RM)	-	-	11,633 ^{*5}
Gearing ratio (times)	-	-	0.22

Notes:-

- *1 Computed based on the issuance and allotment of 132,431,622 Rights Shares at an issue price of RM0.08 per Rights Share.
- *2 The total estimated expenses in relation to the Corporate Exercises 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 Rights Issue; and
 - ii. RM44,000 will be deducted from accumulated losses after I and after the Rights Issue; and
 - iii. RM291,000 will be deducted from accumulated losses after II and after the Acquisition;
- *3 After the issuance and allotment of 65,500,000 Consideration Shares at an issue price of RM0.10 per Consideration Share.
- *4 Subsequent to the completion of the 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.
- *5 Assuming 82% of the Purchase Consideration Shortfall amounting to RM6.841 million is funded via bank borrowings under the Minimum Scenario and subsequent to the completion of the 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

	Unaudited as at 31 December 2020 RM'000	I After the Rights Issue ^{*1} RM'000	II After I and after the Acquisition ^{*3} RM'000
Share capital	61,917	100,797 ^{*2}	107,347
Other reserves	18,911	18,911	18,911
Accumulated losses	(43,784)	(43,828) ^{*2}	(44,119) ^{*2}
Shareholders' fund/ NA	37,044	75,880	82,139
Non-controlling interest	-	-	7,992 ^{*4}
Total equity	37,044	75,880	90,132
No. of Shares in issue ('000)	245,284	735,851	801,351
NA per Share (RM)	0.15	0.10	0.10
Total borrowings (RM)	-	-	4,791 ^{*5}
Gearing ratio (times)	-	-	0.06

Notes:-

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

- *2 The total estimated expenses in relation to the Corporate Exercises 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 Rights Issue; and
 - ii. RM44,000 will be deducted from accumulated losses after I and after the Rights Issue; and
 - iii. RM291,000 will be deducted from accumulated losses after II and after the Acquisition;
- *3 After the issuance and allotment of 65,500,000 Consideration Shares at an issue price of RM0.10 per Consideration Share.
- *4 Subsequent to the completion of the 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.
- *5 Subsequent to the completion of the 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.

8.3 Earnings and EPS

The 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 Rights Issue. However, the 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 Rights Issue as set out in **Section 4** of this Abridged Prospectus are realised.

Purely for illustration purposes only, assuming that the Rights Issue and the Acquisition had been effected on 1 January 2020 (being the beginning of the latest unaudited as at 31 December 2020 of LFE), the pro forma effects on the earnings and the EPS of LFE Group from the Rights Issue and the Acquisition are as follows:-

Minimum Scenario

	Unaudited as at 31 December 2020 RM'000	I After the Rights Issue RM'000	II After I and after the Acquisition RM'000
LAT attributable to shareholders ^{*1}	(1,715)	(1,715)	(1,715)
Share of profit from CPMSB (attributable to shareholders)	-	-	3,064 ^{*2}
Total PAT/ (LAT)	(1,715)	(1,715)	1,349
No. of Shares issued ('000)	245,284	377,715	443,215
Basic EPS/ (LPS) (sen)	(0.70)	(0.50)	0.30

Notes:-

- *1 Based on the latest unaudited financial results of LFE for the FYE 31 December 2020
- *2 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

	Unaudited as at 31 December 2020 RM'000	I After the Rights Issue RM'000	II After I and after the Acquisition RM'000
LAT attributable to shareholders* ¹	(1,715)	(1,715)	(1,715)
Share of profit from CPMSB (attributable to shareholders)	-	-	3,064 ²
Total PAT/ (LAT)	(1,715)	(1,715)	1,349
No. of Shares in issue ('000)	245,284	735,851	801,351
Basic EPS/ (LPS) (sen)	(0.70)	(0.20)	0.20

Notes:-

- *1 Based on the latest unaudited financial results of LFE for the FYE 31 December 2020
- *2 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

8.4 Convertible securities

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

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL TRANSACTIONS**9.1 Working capital**

LFE Group's working capital requirements is funded through internal sources of funds which are generated from our operating activities as well as our cash and bank balances. As at the LPD, LFE Group has cash and bank balances of RM1.24 million and no external sources of funds (i.e. bank borrowings).

Our Board is of the opinion that, after taking into consideration the funds generated from our operations, existing cash and bank balances and completion of the Corporate Exercises, we will have sufficient working capital for a period of 12 months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, LFE Group has no outstanding bank borrowings. There has not been any default on payments by LFE Group of either interest and/ or principal sums nor any breaches of covenants in respect of any borrowings throughout the audited FYE 31 December 2019 and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

As at the LPD, our Board confirms that there are no other contingent liabilities incurred or known to be incurred by LFE Group which, upon becoming enforceable, may have a material impact on the financial results/ position of LFE Group.

9.4 Material commitments

As at the LPD, our Board confirms that there are no material commitments for capital expenditure incurred or known to be incurred by LFE Group that have not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of LFE Group.

9.5 Material transactions

Save for the Rights Issue and the Acquisition (as set out in **Section 2.3.1** of this Abridged Prospectus), there are no other material transactions which may have a material effect on the operations, financial position and results of LFE Group since LFE Group's most recent announced unaudited interim consolidated financial statements for the 12-month FYE 31 December 2020.

10. INSTRUCTIONS FOR ACCEPTANCE, SALE OR TRANSFER, EXCESS APPLICATION AND PAYMENT

10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such securities into your CDS Account and the RSF to enable you to subscribe for the Provisional Rights Shares provisionally allotted to you, as well as to apply for Excess Rights Shares if you choose to do so.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this Abridged Prospectus and the Rights Shares Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to **Sections 10.5.3** and **10.9.3** of this Abridged Prospectus for the procedures for acceptance as well as to apply for Rights Shares, if you choose to do so.

This Abridged Prospectus and RSF are also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

10.2 NPA

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Shares will be by book entries through the CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/ or your renounee(s) and/ or transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

10.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Provisional Rights Shares and the Excess Application is the Closing Date.

We shall make an announcement on the outcome of the Rights Issue after the Closing Date.

10.4 Methods of acceptance and application

You may subscribe for the Provisional Rights Shares as well as apply for Excess Application, if you choose to do so, using either of the following methods:-

Method	Category of Entitled Shareholders
RSF	All Entitled Shareholders
Electronic Application* ¹	All Entitled Shareholders
NRS	Authorised Nominee who has subscribed for NRS

Note:-

*1 The following surcharge per Electronic Application via ATM will be charged by the Participating Financial Institution:-

- Public Bank Berhad – RM4.00; and
- Affin Bank Berhad – RM4.00.

The following processing fee per Electronic Application via internet financial services website will be charged by the respective Participating Financial Institution:-

- Public Bank Berhad (<http://www.pbepbank.com>) – RM4.00; and
- Affin Bank Berhad (<https://www.affinbank.com.my>) – RM4.00.

10.5 Procedure for full acceptance and payment

10.5.1 By way or RSF

Acceptance of and payment for the Provisional Rights Shares must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances and/ or payments which do not strictly conform to the terms of this Abridged Prospectus, the RSF or the notes and instructions contained therein or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES, EXCESS RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/ OR YOUR RENOUNCEE(S) AND/ OR TRANSFEREE(S) (IF APPLICABLE) WISH TO SELL/ TRANSFER ALL OR ANY PART OF YOUR PROVISIONAL RIGHTS SHARES ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN. IN ACCORDANCE WITH THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS.

YOU AND/ OR YOUR RENOUNCEE(S) AND/ OR TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you and/ or your renounee(s) and/ or transferee(s) (if applicable) wish to accept either in full or in part of the Provisional Rights Shares of your entitlement, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our Share Registrar using the reply envelope provided (at your own risk) by **ORDINARY POST, COURIER or DELIVERY BY HAND** at the address stated below:-

Boardroom Share Registrars Sdn Bhd
[Registration No. 199601006647 (378993-D)]
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

Tel. No.: 03 – 7890 4700
Fax. No.: 03 – 7890 4670

so as to arrive **not later than the Closing Date**, being the last date and time for acceptance and payment for the Provisional Rights Shares.

If you and/ or your renounee(s) and/ or transferee(s) (if applicable) lose, misplace or for any other reasons require another copy of the RSF, you and/ or your renounee(s) and/ or transferee(s) (if applicable) may obtain additional copies from your stockbroker, our Share Registrar at the address stated above, our registered office or the website of Bursa Securities (<https://www.bursamalaysia.com>).

1 RSF can only be used for acceptance of Provisional Rights Shares standing to the credit of 1 CDS Account belonging. Separate RSF(s) must be used for the acceptance of Provisional Rights Shares standing to the credit of more than 1 CDS Account(s). If successful, the Rights Shares subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this Abridged Prospectus. To facilitate the processing of the RSF(s) by our Share Registrar, you are advised to use 1 reply envelope for each completed RSF.

The minimum number of Rights Shares that can be subscribed for or accepted is 1 Rights Share. However, you and/ or your renounee(s) and/ or transferee(s) (if applicable) should take note that a trading board lot for the Rights Shares comprises of 100 Rights Shares, respectively. Fractions of Rights Shares, if any, shall be disregarded, and dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance of and payment for the Provisional Rights Shares allotted to you and/ or your renounee(s) and/ or transferee(s) (if applicable) is not received by our Share Registrar by **the Closing Date**, being the last date and time for acceptance of and payment for the Provisional Rights Shares, you and/ or your renounee(s) and/ or transferee(s) (if applicable) will be deemed to have declined the Provisional Rights Shares and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

In the event that the Provisional Rights Shares are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares to the applicants who have applied for the Excess Rights Shares in the manner as set out in **Section 10.9** of this Abridged Prospectus. Our Board reserves the right to accept any application in full or in part only without assigning any reasons.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES ACCEPTED IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "LFE RIGHTS SHARES ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME IN BLOCK LETTERS AND CDS ACCOUNT NUMBER SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR BY THE CLOSING DATE.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

ALL RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING SUCH RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/ OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE WILL BE ISSUED.

10.5.2 By way of Electronic Application

Only individuals who are Entitled Shareholders may apply for the Rights Issue by way of Electronic Application.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for Electronic Application and the procedures set out at the ATMs and internet financial services website of the Participating Financial Institutions before making an Electronic Application.

The procedures for Electronic Applications at the ATMs and internet financial services website of the Participating Financial Institutions are set out on the ATM screens and internet financial services website of the relevant Participating Financial Institutions ("**Steps**"). For illustration purposes, the procedures for Electronic Applications are set out below. Please read carefully the terms of this Abridged Prospectus, the Steps and the Terms and Conditions of Electronic Applications set out in **Section 10.5.2(ii)** of this Abridged Prospectus before making an Electronic Application:-

You must have an account with a Participating Financial Institution and an ATM card issued by a Participating Financial Institution or with access to internet financial services with **Public Bank Berhad** at <http://www.pbebank.com> or **Affin Bank Berhad** at <https://www.affinbank.com.my>.

You are advised to read and understand this Abridged Prospectus **BEFORE** making the application.

You shall apply for the Rights Issue via the ATM or internet financial services website of the Participating Financial Institutions by choosing the Electronic Application option. Mandatory statements required in the application are as set out in **Section 10.5.2(ii)** of this Abridged Prospectus "**Terms and Conditions of Electronic Applications**".

Upon the completion of your Electronic Application transaction via ATM, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by our Company or our Share Registrar. The Transaction Record is for your record and is not required to be submitted with your application.

For application via internet financial services website, a message from the Participating Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the Provisional Rights Shares is being made. Subsequently, the Participating Financial Institutions shall confirm that the said application has been completed, via the confirmation screen in respect of your application ("**Confirmation Screen**") on their website. You are advised to print out the Confirmation Screen for your reference and record.

YOU MUST ENSURE THAT YOU USE THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN MAKING AN ELECTRONIC APPLICATION. IF YOU OPERATE A JOINT BANK ACCOUNT WITH ANY OF THE PARTICIPATING FINANCIAL INSTITUTIONS, YOU MUST ENSURE THAT YOU ENTER THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING.

i. Participating Financial Institutions

Electronic Applications may be made through an ATM or internet financial services websites of the following Participating Financial Institutions and their branches within Malaysia:-

- Public Bank Berhad;
- Affin Bank Berhad

ii. Terms and Conditions of Electronic Applications

The Electronic Application shall be made on, and subject to, the terms of this Abridged Prospectus, as well as the terms and conditions of the Participating Financial Institutions and those appearing herein:-

- (a) You are required to confirm the following statements and undertake that the following information given are true and correct:-
- (i) You have attained 18 years of age as at the Closing Date;
 - (ii) You have read the Abridged Prospectus and understood and agreed with the terms and conditions of the application; and
 - (iii) You give consent to our Company, Bursa Depository, our Share Registrar, the relevant Participating Financial Institutions, their respective agents and any third party involved in facilitating the application/refund, to disclose information pertaining to yourself and your account with the Participating Financial Institutions and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the application/refund.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you complete all the steps required by the Participating Financial Institution. By doing so, you shall have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134(1)(a) of Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosures as described above.

- (b) You confirm that you are not applying for the Provisional Rights Shares as a nominee of any other person and that any Electronic Application that you make is made by you as the beneficial owner.
- (c) You must have sufficient funds in your account with the relevant Participating Financial Institutions at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the ATM or screen of financial services websites of the Participating Financial Institutions through which the Electronic Application is being made, will be rejected.
- (d) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Rights Shares applied for as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys (or buttons)) of the number of Provisional Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Provisional Rights Shares that may be allotted to you.

Should you encounter any problems in your Electronic Application, please refer to the Participating Financial Institutions.

- (e) By making and completing your Electronic Application, you, if successful, request and authorise our Company to credit the Provisional Rights Shares allotted to you into your CDS Account.
- (f) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Participating Financial Institutions or Bursa Depository and you irrevocably agree that if:
 - (i) Our Company, our Share Registrar or Bursa Depository does not receive your Electronic Application; or
 - (ii) Data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Participating Financial Institutions or Bursa Depository for the Provisional Rights Shares applied for or for any compensation, loss or damage relating to the application for the Provisional Rights Shares.

- (g) All of your particulars, including your nationality and place of residence, in the records of the relevant Participating Financial Institutions at the time you make your Electronic Application shall be true and correct, and our Company, our Share Registrar, the relevant Participating Financial Institutions and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (h) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institutions are correct and identical. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.
- (i) By making and completing an Electronic Application, you agree that:-
 - (i) In consideration of our Company agreeing to allow and accept your application for the Provisional Rights Shares via the Electronic Application facility established by the Participating Financial Institutions at their respective ATMs and financial services websites, your Electronic Application is irrevocable and cannot be subsequently withdrawn;

- (ii) Our Company, the Participating Financial Institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or any cause beyond our control;
- (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for the Provisional Rights Shares for which your Electronic Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Provisional Rights Shares; and
- (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (j) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these terms/ instructions.
- (k) Notification on the outcome of your application for the Rights Shares will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:-
 - (i) successful application – a notice of allotment will be despatched within 8 Market Days from the Closing Date or such other period as may be prescribed or allowed by Bursa Securities; or
 - (ii) unsuccessful/ partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the Closing Date.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in **Section 10.5.2(ii)** of this Abridged Prospectus and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

10.5.3 By way of NRS

Our Company has appointed Bursa Depository to provide NRS to our shareholders who are Authorised Nominees. Only our Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may apply via NRS.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for application via NRS and Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the application.

i. Steps for applications via NRS

- (a) If you are an Entitled Shareholder, and who is an Authorised Nominee who has subscribed for NRS with Bursa Depository, you will not be receiving this Abridged Prospectus, the RSF nor the NPA by post.
- (b) Instead, this Abridged Prospectus and the Rights Shares Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS, on the next business day after the Entitlement Date.
- (c) A notification of the delivery of the Abridged Prospectus and the Rights Shares Entitlement File will also be sent to you via email using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.
- (d) You are advised to read carefully, understand and follow the terms of this Abridged Prospectus, **BEFORE** making the application.
- (e) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue.
- (f) To apply for the Provisional Rights Shares, you will be required to submit your subscription information via Rights Shares Subscription File which is to be prepared based on the format as set out in Bursa Depository's User Guide for NRS.
- (g) Once completed, you will need to submit the Rights Shares Subscription File to Bursa Depository at any time daily before 5.00 p.m., but in any event no later than the last day and time for acceptance and payment.
- (h) Together with the Rights Shares Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:-
 - (i) Confirmation that you have, prior to making the application via NRS, received and/or had access to the electronic copy of this Abridged Prospectus, the contents of which you have read, understood and agreed; and

- (ii) Consent to the disclosure of your information to facilitate electronic refunds where applicable.
- (i) With regards to payment for the Provisional Rights Shares which you have applied for, you must transfer the amount payable directly to our bank account, the details of which are as follows:-
- Bank : **MALAYAN BANKING BERHAD**
Account Name : **LFE RIGHTS SHARES ACCOUNT**
Bank Account No : **514012438280**
- (j) Upon completion of the transfer/payment, you may receive a transaction slip ("**Transaction Slip**") from the transacting financial institution confirming the details of your transfer/payment. The Transaction Slip is only a record of the completed transaction and not a record of the receipt of the application via NRS or any data relating to such an application by our Company or Bursa Depository. The Transaction Slip is for your record and is not required to be submitted with your application via NRS.
- (k) You will be notified on the outcome of your application for the Provisional Rights Shares electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.
- (i) successful application – an electronic notification will be sent to you within 8 Market Days from the Closing Date or such other period as may be prescribed or allowed by Bursa Securities; or
- (ii) unsuccessful/ partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the Closing Date.
- The refund will be credited directly into your bank account(s) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in this Abridged Prospectus and the required consent in making the application via NRS.
- If the crediting of the refund into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.
- (l) Upon crediting of the Rights Shares allotted to you into your CDS account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.
- (m) You should note that all applications made for the Provisional Rights Shares submitted under NRS will be irrevocable upon submission of the Rights Shares Subscription File to Bursa Depository and cannot be subsequently withdrawn.

ii. **Terms and Conditions for applications via NRS**

The application via NRS shall be made on, and subject to, the terms of this Abridged Prospectus, Bursa Depository's terms and conditions for NRS and Bursa Depository's User Guide for NRS as well as the terms and conditions appearing herein:-

- (a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134(1)(a) of Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment of refunds to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.
- (b) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Rights Shares applied for as stated on your Rights Shares Subscription File in respect of your application via NRS. Your application shall signify, and shall be treated as, your acceptance of the number of Provisional Rights Shares that may be allotted to you.
- (c) You acknowledge that by completing and submitting the Rights Shares Subscription File to Bursa Depository, you, if successful, requests and authorises our Company to credit the Provisional Rights Shares allotted to you into the respective CDS Account(s) as indicated in the Rights Shares Subscription File.
- (d) You acknowledge that your application via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if -
 - (i) our Company, our Share Registrar or Bursa Depository does not receive your application via NRS; or
 - (ii) the data relating to your application via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made your application and you shall not make any claim whatsoever against our Company, Bursa Depository, our Share Registrar or the relevant financial institution for the Provisional Rights Shares applied for or for any compensation, loss or damage relating to the application for the Provisional Rights Shares.

- (e) By completing and submitting the Rights Shares Subscription File to Bursa Depository, you agree that:-
- (i) In consideration of our Company agreeing to allow and accept your application for Rights Shares via the NRS facility established by Bursa Depository, your application via NRS is irrevocable and cannot be subsequently withdrawn;
 - (ii) Our Company, the relevant financial institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your application via NRS due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
 - (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the electronic notification of allotment in respect of the Provisional Rights Shares issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Provisional Rights Shares; and
 - (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the application via NRS and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

Our Share Registrar and Bursa Depository, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

10.6 Procedure for part acceptance by Entitled Shareholders

You are entitled to accept part of your Provisional Rights Shares provided always that the minimum number of Rights Shares that can be subscribed for or accepted is 1 Rights Share. Fractions of a Rights Share, if any, shall be disregarded and dealt with in a fair and equitable manner as our Board deems fit and expedient and in the best interests of our Company.

You must complete both Parts I(A) and II of the RSF by specifying the number of Rights Shares which you are accepting and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in **Section 10.5.1** of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the Provisional Rights Shares that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Rights Shares.

10.7 Procedure for sale or transfer of the Provisional Rights Shares

As the Provisional Rights Shares are prescribed securities, you may dispose or transfer all or part of your entitlement to the Provisional Rights Shares to 1 or more person(s) through your stockbrokers without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account. To dispose or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have disposed or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares by completing Parts I and III of the RSF. Please refer to **Sections 10.5** and **10.6** of this Abridged Prospectus for the procedure for acceptance and payment.

In disposing or transferring all or part of your Provisional Rights Shares, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient Provisional Rights Shares standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Rights Shares may obtain a copy of this Abridged Prospectus and the RSF from our Share Registrar or at our Registered Office. This Abridged Prospectus and the RSF are also available on the Bursa Securities' website at <http://www.bursamalaysia.com>.

10.8 Procedure for acceptance by renouncee(s)/ transferee(s)

Renouncee(s) and/ or transferee(s) (if applicable) who wish to accept the Provisional Rights Shares must obtain a copy of the RSF from their stockbrokers or our Share Registrar, or at our Registered Office or from Bursa Securities' website at <https://www.bursamalaysia.com>, and complete the RSF and submit the same together with the remittance to our Share Registrar at the above-stated address in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in **Sections 10.5** and **10.6** of this Abridged Prospectus also applies to renouncee(s) and/ or transferee(s) (if applicable) who wish to accept the Provisional Rights Shares.

RENOUNCEE(S) ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.

10.9 Procedure for application of Excess Rights Shares

10.9.1 By way of RSF

You and/ or your renouncee(s) and/ or transferee(s) (if applicable) may apply for the Excess Rights Shares in excess of your entitlement by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forward it (together with a **separate remittance made in RM** for the full amount payable in respect of the Excess Rights Shares applied for) to our Share Registrar **not later than the Closing Date**, being the last date and time for application and payment for the Excess Rights Shares.

PAYMENT FOR THE EXCESS RIGHTS SHARES APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.5 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "LFE EXCESS RIGHTS SHARES ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN THE LAST DATE AND TIME FOR EXCESS APPLICATION AND PAYMENT AS SET OUT IN THE COVER PAGE OF THIS ABRIDGED PROSPECTUS.

THE PAYMENT MUST BE MADE FOR THE FULL AND EXACT AMOUNT PAYABLE FOR THE EXCESS RIGHTS SHARES APPLIED FOR ANY EXCESS OR INSUFFICIENT MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

It is the intention of our Board to allot the Excess Rights Shares, if any, on a fair and equitable basis and in the following priority:-

- i. Firstly, to minimise the incidence of odd lots;
- ii. Secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on their respective shareholdings in our Company as at the Entitlement Date;
- iii. Thirdly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for; and
- iv. Finally, for allocation to renouncee(s) and/ or transferee(s) (if applicable) who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for.

In the event there is any remaining balance of the Excess Rights Shares applied for by the Entitled Shareholders and/ or renouncee(s) and/ or transferee(s) (if applicable) who have applied for the Excess Rights Shares after carrying out steps (i) to (iv) as set out above, steps (ii) to (iv) will be repeated again in the same sequence to allocate the remaining balance of the Excess Rights Shares to the Entitled Shareholders and/ or renouncee(s) and/ or transferee(s) (if applicable) who have applied for the Excess Rights Shares until such balance is fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in steps (i)-(iv) above are achieved. Our Board also reserves the rights at its absolute discretion to accept in full or in part any application for the Excess Rights Shares without assigning any reason thereof.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR EXCESS APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, IF YOUR EXCESS APPLICATION IS SUCCESSFUL, THE RIGHTS SHARES WILL BE CREDITED INTO YOUR CDS ACCOUNT AND A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED OR ALLOWED BY BURSA SECURITIES.

APPLICATIONS FOR THE EXCESS RIGHTS SHARES SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

10.9.2 By way of Electronic Application

You and/ or your renounee(s) and/ or transferee(s) (if applicable) may apply for the Excess Rights Shares in excess of your entitlement via Electronic Application in addition to your Provisional Rights Shares. If you wish to do so, you may apply for the Excess Rights Shares by following the same steps as set out in **Section 10.5.2** of this Abridged Prospectus.

The Electronic Application for Excess Rights Shares will be made on, subject to, the same terms and conditions appearing in **Section 10.5.2** of this Abridged Prospectus.

Any Rights Shares which are not taken up or not validly taken up by you and/ or your renounee(s) and/ or transferee(s) (if applicable) shall be made available for Excess Rights Shares. It is the intention of the Board to allot the Excess Rights Shares, if any, on a fair and equitable basis and in the priority and basis as detailed in **Section 10.9.1** above.

10.9.3 By way of NRS

You and/ or your renounee(s) and/ or transferee(s) (if applicable) may apply for the Excess Rights Shares in excess of your entitlement via NRS in addition to your Provisional Rights Shares. If you wish to do so, you may apply for the Excess Rights Shares by following the same steps as set out in **Section 10.5.3** of this Abridged Prospectus save and except for the amount payable to be directed to "**LFE EXCESS RIGHTS SHARES ACCOUNT**" (**BANK ACCOUNT NO. 514012438297 WITH MALAYAN BANKING BERHAD**) for the excess Rights Shares applied and also that you should complete the details for excess rights application at the designated fields for excess applications in the Rights Shares Subscription File.

The NRS for Excess Rights Shares will be made on, subject to, the same terms and conditions appearing in **Section 10.5.3** of this Abridges Prospectus.

Any Provisional Rights Shares which are not taken up or not validly taken up by you and/ or your renounee(s) and/ or transferee(s) (if applicable) shall be made available for Excess Rights Shares. It is the intention of the Board to allot the Excess Rights Shares, if any, on a fair and equitable basis and in the priority and basis as detailed in **Section 10.9.1** above.

10.10 Form of issuance

Bursa Securities has already prescribed our Shares to be listed on the Main Market of Bursa Securities and to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, the SICDA and the Rules of Bursa Depository shall apply to all dealings in the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share certificates shall be issued to you under the Rights Issue. Instead, the Rights Shares will be credited directly into your CDS Account.

A notice of allotment will be despatched to you and/ or your renounee(s) and/ or transferee(s) (if applicable) by ordinary post to the address shown in our Record of Depositors provided by Bursa Depository at your own risk within 8 Market Days from the Closing Date or such other period as may be prescribed or allowed by Bursa Securities.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic notification will be sent to you within 8 Market Days from the Closing Date or such other period as may be prescribed or allowed by Bursa Securities through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS.

Where the Rights Shares are provisionally allotted to the Entitled Shareholders in respect of their existing LFE Shares standing to the credit in their CDS Account as at the Entitlement Date, the acceptance by the Entitled Shareholders of the Provisional Rights Shares shall mean that they consent to receive such Provisional Rights Shares as prescribed or deposited securities which will be credited directly into their CDS Account.

Any person who has purchased the Provisional Rights Shares or to whom the Provisional Rights Shares has been transferred and intends to subscribe for the Rights Shares must state his or her CDS Account number in the space provided in the RSF. The Rights Shares will be credited directly as prescribed or deposited securities into his or her CDS Account upon allotment and issuance.

The Excess Rights Shares, if allotted to the successful applicant who applies for Excess Rights Shares, will be credited directly as prescribed securities into his or her CDS Account. The allocation will be made on a fair and equitable basis in such manner as our Board in its absolute discretion deems fit and expedient and in the best interest of our Company, as disclosed in **Section 10.9** of this Abridged Prospectus.

10.11 Laws of foreign jurisdiction

This Abridged Prospectus, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) for subscription of any foreign jurisdiction. The Rights Issue will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this Abridged Prospectus, and the accompanying NPA and RSF will not be sent to the Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) who do not have a registered address in Malaysia. However, such Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) may collect this Abridged Prospectus, and the accompanying NPA and RSF from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these documents relating to the Rights Issue.

The Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so. UOBKH, our Share Registrar, our Company, our Directors and officers and other professional advisers would not, in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) are or may be subject. Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. UOBKH, our Share Registrar, our Company, our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Foreign Entitled Shareholders and/ or renounee(s) and/ or transferee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) will be responsible for payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) for any such issue, transfer or other taxes or other requisite payments. They will have no claims whatsoever against us and/ or UOBKH in respect of their rights and entitlements under the Rights Issue. Such Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue.

By signing the RSF, the Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) UOBKH, our Share Registrar, our Company, our Directors and officers and other professional advisers that:-

- i. we would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the Foreign Entitled Shareholders and/ or renounee(s) (if applicable) are or may be subject to;
- ii. the Foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares;
- iii. the Foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Rights Shares, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- iv. the Foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are aware that the Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- v. the Foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have received a copy of this Abridged Prospectus, had access to such financial and other information and have been provided the opportunity to ask such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares; and
- vi. the Foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving this Abridged Prospectus, and the accompanying NPA and RSF (including without limitation to custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any country or jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, and the accompanying NPA and RSF are received by any persons in such country or jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant country or jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus and the accompanying NPA and RSF to any foreign country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares from any such application by Foreign Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) in any jurisdiction other than Malaysia.

We reserve the right, in our absolute discretion, to treat any acceptance of the Rights Shares as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements.

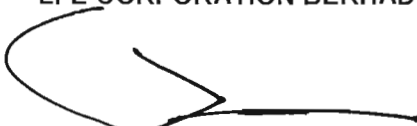
11. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions set out in the Documents enclosed herewith.

12. FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of our Board
LFE CORPORATION BERHAD



LIEW KIAM WOON
Managing Director

APPENDIX I - INFORMATION ON OUR COMPANY**1. SHARE CAPITAL**

As at the LPD, our issued share capital is RM61,916,835 comprising 245,283,745 LFE Shares.

2. BOARD OF DIRECTORS

The details of our Board as at the LPD are set out as follows:-

Name (Designation)	Age	Address	Nationality
Liew Kiam Woon (<i>Managing Director</i>)	58	5, Jalan Batai, Damansara Heights, 50490 Kuala Lumpur	Malaysian
Kok Tong Yong (<i>Executive Director</i>)	65	No. 61, Jalan Camar 4/15, PJU 5, Kota Damansara, 47810 Petaling Jaya, Selangor	Malaysian
Goh Chee Hoe (<i>Executive Director</i>)	29	46-09-01 Desa Green, Jalan Van Praagh, 11600 Georgetown, Pulau Pinang	Malaysian
Loo Thin Tuck (<i>Senior Independent Non-Executive Director</i>)	56	No. 21, Regat Bekor 5, Taman Pertama, 30100 Ipoh, Perak	Malaysian
Tunku Azlan Bin Tunku Aziz (<i>Independent Non-Executive Director</i>)	53	3-8-6, The Residence Condominium, Jalan Wan Kadir 5, Taman Tun Dr Ismail, 60000 Kuala Lumpur	Malaysian
Tng Ling Ling (<i>Independent Non-Executive Director</i>)	37	No. 92, Jalan Metro Perdana Barat 17, Taman Usahawan Kepong, 52100 Kuala Lumpur	Malaysian

3. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of LFE Shares for the past 12 months preceding the date of this Abridged Prospectus are as follows:-

	High RM	Low RM
2020		
March	0.185	0.090
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
2021		
January	0.215	0.190
February	0.235	0.200
Last transacted market price of LFE Shares as at 2 October 2020 (being the last Market Day immediately prior to the announcement of the Corporate Exercises)		RM0.200
Last transacted market price of LFE Shares as at the LPD		RM0.195

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

Last transacted market price of LFE Shares on 22 March 2021 (being the last Market Day immediately preceding the ex-date for the Rights Issue)

RM0.270

(Source: Bloomberg Finance Singapore L.P.)

4. OPTION TO SUBSCRIBE FOR LFE SHARES

As at the LPD, save for the Provisional Rights Shares and Excess Rights Shares, no option to subscribe for our LFE Shares has been granted or is entitled to be granted to anyone.

5. MATERIAL CONTRACTS

Save for the SSA in relation to the 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 preceding the date of this Abridged Prospectus.

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below and as at the LPD, LFE Group is not engaged in any material litigation, claims and/ or arbitration, either as plaintiff or defendant, and our Board confirms that there are no other 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 ("**Claim Amount**") 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.

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

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. Accordingly, no provision has been made in respect of the Claim Amount in the financial statement.

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. For shareholders information, the Plaintiff had, on 16 March 2020, resigned from her employment with LFE and LESB, as she claimed that she has been constructively dismissed. Our Board had on, 5 June 2020, accepted her letter addressed to LFE on the basis of without prejudice to the right of LFE to challenge and dispute the constructive dismissal.

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 hearing on 27 April 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 Plaintiff is not accurate. The outstanding amount claimed by Plaintiff have already been recorded in book, and hence no significant financial impact on LFE Group.

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)**7. KEY FINANCIAL INFORMATION**

Our audited consolidated financial information for the past 3 financial years up to the 12-month FYE 31 December 2019 and our most recent announced unaudited interim consolidated financial information for the 12-month FYE 31 December 2020 together with the relevant notes are disclosed in the following documents which have been published on the website of Bursa Securities at <https://www.bursamalaysia.com>:-

	Pages
Our annual report for the 12-month FYE 31 July 2017	
Statements of profit or loss and other comprehensive income	42-43
Statements of financial position	39-41
Statements of changes in equity	44-46
Statements of cash flows	47-49
Notes to the financial statements	50-105
Our annual report for the 17-month FPE 31 December 2018	
Statements of profit or loss and other comprehensive income	40
Statements of financial position	38-39
Statements of changes in equity	41-43
Statements of cash flows	44-46
Notes to the financial statements	47-102
Our annual report for the 12-month FYE 31 December 2019	
Statements of profit or loss and other comprehensive income	49
Statements of financial position	47-48
Statements of changes in equity	50-52
Statements of cash flows	53-55
Notes to the financial statements	56-107
Our quarterly report for the 12-month FYE 31 December 2020	
Statements of profit or loss and other comprehensive income	1
Statements of financial position	2
Statements of changes in equity	3
Statements of cash flows	4
Notes to the financial statements	5-8

The following table sets out a summary of LFE Group's key financial information based on past 3 financial years up to the FYE 31 December 2019 and our most recent announced unaudited interim consolidated financial information for the 12-month FYE 31 December 2020 of comprehensive income, statements of financial position and statement of cash flows for the financial years and periods under review:-

7.1 Historical financial performance

	<-----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	12-month FYE 31 December 2020 RM'000
Revenue	13,379	13,752	18,856	13,429
Cost of sales	(9,088)	(12,630)	(14,562)	(11,381)
GP	4,291	1,122	4,294	2,048
Other operating income	1,840	345	298	1,271
Administrative expenses	(4,229)	(5,411)	(3,205)	(4,457)
Other operating expenses	(3,892)	(1,284)	(1,006)	(823)
Finance costs	(79)	(481)	(214)	(189)
Share of profit of associated companies	10	2	-	-
Share of results of joint ventures	433	(4,857)	(50)	435

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

	<-----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	12-month FYE 31 December 2020 RM'000
PBT/ (LBT)	(1,626)	(10,564)	117	(1,715)
Taxation	(72)	(8)	-	-
PAT/ (LAT)	(1,698)	(10,572)	117	(1,715)
PAT/ (LAT) attributable to:-				
Owners of our Company	(1,698)	(10,572)	117	(1,715)
Non-controlling interests	-	-	-	-
GP margin (%)	32.07	8.16	22.77	15.25
PAT/ (LAT) margin (%)	(12.69)	(76.88)	0.62	(9.54)
Weighted average no. of Shares outstanding ('000)	181,566	185,320	198,209	224,623
Basic EPS/ (LPS) (sen)	(0.94)	(5.70)	0.06	(0.76)
Dividend paid (RM)	-	-	-	-

Overview of our financial performance for the 17-month FYE 31 December 2018 compared to 12-month FYE 31 July 2017

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 12-month FYE 31 July 2017 and the 17-month FPE 31 December 2018 may not be entirely comparable.

We recorded revenue of RM13.75 million for the 17-month FPE 31 December 2018 as compared to the preceding financial year of RM13.38 million. The higher revenue recorded was mainly due to higher progress billings recognised from our RuMa Hotel & Residence project located in Kuala Lumpur ("**RuMa Project**") amounting to RM12.86 million. For illustrative purposes, the annualised revenue of RM9.71 million for the 17-month FPE 31 December 2018 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 due to the following:-

- (i) completion of 92 units of double-storey houses in Kerteh, Terengganu ("**Kerteh Project**") which contributed revenue of RM3.06 million during the preceding financial year as compared to RM0.31 million recorded during financial year under review; and
- (ii) completion of Ponderosa Woods Phase 1 and Phase 2 projects in Johor Bahru, Johor ("**Ponderosa Project**") which contributed revenue of RM1.92 million during the preceding financial as compared to RM0.03 million recorded during financial year under review.

We recorded higher cost of sales of RM12.63 million for the 17-month FPE 31 December 2018 as compared to the preceding financial year of RM9.09 million which is in line with the higher revenue recorded. Despite the revenue growth posted for the 17-month FPE 31 December 2018, we recorded lower GP of RM1.12 million for the 17-month FPE 31 December 2018 as compared to the preceding financial year of RM4.29 million mainly due higher cost incurred for the RuMa Project amounting to RM11.44 million which was the main revenue contributor during the financial year under review while cost incurred for the other projects (i.e. Kerteh Project and Ponderosa Project) were lower as most of the works had been completed in the preceding financial year.

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

As a result of the completion of the Ponderosa Project (which had relatively better profit margins) in the preceding financial year coupled with the commencement of the RuMa Project (which had relatively lower profit margin), we recorded lower GP margin of 8.16% for the 17-month FPE 31 December 2018 as compared to 32.07% for the 12-month FYE 31 July 2017.

We recorded other operating income of RM0.34 million for the 17-month FPE 31 December 2018 as compared to the preceding financial year of RM1.84 million mainly due to discount received from creditors on the purchase of materials (i.e. plumbing and electrical products) for Tanjung Rhu Resort project located at Langkawi ("**Tanjung Rhu Project**") in the preceding financial year amounting to RM1.78 million during the financial year under review.

We recorded administration expenses of RM5.41 million for the 17-month FYE 31 December 2018 as compared to the preceding financial year of RM4.23 million mainly due to higher expenses incurred on staff cost (RM2.28 million), directors' remuneration (RM1.75 million) and travelling and transportation costs (RM0.43 million) during the financial year under review. Nevertheless, the monthly average administrative expenses has decreased from an average of RM0.35 million per month in the preceding financial year to an average of RM0.32 million per month in the financial year under review mainly arising from cost rationalisation exercise implemented by our management to our Group level.

We recorded other operating expenses of RM1.28 million for the 17-month FYE 31 December 2018 as compared to the preceding financial year of RM3.89 million mainly due to the absence of the one-off recognition of impairment loss on receivables amounting to RM1.67 million from one debtor recorded during the preceding financial year under review.

We recorded finance cost of RM0.48 million for the 17-month FYE 31 December 2018 as compared to the preceding financial year of RM0.08 million mainly due to the drawdown of an overdraft facility from finance institution for LFE Group's working capital requirements during the financial year under review.

We recorded higher LBT of approximately RM10.56 million and annualised LBT of RM7.45 million as compared to the LBT of approximately RM1.63 million for the preceding financial year. The LBT recorded was mainly attributable to share of the loss after tax incurred by the joint ventures amounting of RM4.86 million during the financial year under review. Accordingly, we recorded LAT of RM10.57 million for the 17-month FYE 31 December 2018 as compared to the LAT of RM1.70 million for the preceding financial year and higher LAT margin of 76.88% for the 17-month FYE 31 December 2018 against LAT margin of 12.69% during the preceding financial year.

Overview of our financial performance for the 12-month FYE 31 December 2019 compared to 17-month FYE 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 December 2019 may not be entirely comparable.

We recorded higher revenue of RM18.86 million for the 12-month FYE 31 December 2019 as compared to the preceding financial year of RM13.75 million. The higher revenue recorded was mainly due to higher progress billings recognised amounting to RM7.51 million due to substantial portion of the C&S works completed for the AraTre' Residence project located at Ara Damansara, Selangor which was secured in September 2019 ("**AraTre Project**"). For shareholders' information, the AraTre Project involved the construction of C&S works of the carpark and podium for a 28 floors high-rise residential building located at Selangor.

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

We recorded higher cost of sales of RM14.56 million for the 12-month FYE 31 December 2019 as compared to the preceding financial year of RM12.63 million which is in line with the higher revenue recorded. We recorded higher GP of RM4.29 million for the 12-month FYE 31 December 2019 as compared to the preceding financial year of RM1.12 million as a result of higher revenue recorded during the financial year under review. As a result of the commencement of the AraTre Project which has a better profit margin, our GP margin improved from 8.16% for the 17-month FPE 31 December 2018 to 22.77% for the 12-month FYE 31 December 2019.

We recorded administration expenses of RM3.21 million for the 12-month FYE 31 December 2019 as compared to the preceding financial year of RM5.41 million mainly due to the cost rationalisation exercise undertaken by our management which resulted in the reduction of the staff costs (RM1.21 million), directors' remuneration (RM0.73 million) and travelling costs (RM0.25 million) primarily due to the consolidation of the operation process and centralisation of the main office located at Kuala Lumpur as well as closure of the oversea office located at Abu Dhabi in the 17-month FYE 31 December 2018.

We recorded other operating expenses of RM1.01 million for the 12-month FYE 31 December 2019 as compared to the preceding financial year of RM1.28 million mainly due to the one-off impairment loss on our overseas associate company namely, LFE Engineering Qatar With Limited Liability ("**LFE Qatar**"), which amounted to RM0.38 million pursuant to the agreement entered between LFE Group with Apex Goodwill Limited on 31 July 2018, to dispose of 49% equity interest in LFE Qatar for a cash consideration of USD100 during the preceding financial year under review.

We recorded finance cost of RM0.21 million for the 12-month FYE 31 December 2019 as compared to the preceding financial year of RM0.48 million mainly due to the full settlement of outstanding borrowings to reduce finance costs incurred by LFE Group in June 2019 and thus, there is no bank borrowings as at 31 December 2019.

We recorded PBT and PAT of approximately RM0.12 million as compared to the LBT of approximately RM10.56 million, LAT of RM10.57 million, annualised LBT of RM7.45 million and annualised LAT of RM7.46 million for the preceding 17-month FPE 31 December 2018. The PBT and PAT recorded were mainly attributable to higher GP recorded coupled with 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. Accordingly, we recorded PAT margin of 0.62% for the 12-month FYE 31 December 2019 against LAT margin of 76.88% during the preceding financial year.

Overview of our financial performance for the unaudited 12-month FYE 31 December 2020 compared to 12-month FYE 31 December 2019

We recorded lower revenue of RM13.43 million for the FYE 31 December 2020 which represents a decrease of RM5.43 million or 28.79% as compared to the preceding financial year of RM18.86 million. The decrease was mainly attributable to the temporary closure of our construction site due to the COVID-19 during the financial year under review. For information purpose, the progress of our on-going project such as AraTre Project was temporarily halted due to the closure of our business operations from March 2020 to May 2020 as a result of the restriction and control measures put in place to mitigate the COVID-19 outbreak. We had, on 4 May 2020 (in line with the partial reopening of the economy on 4 May 2020), resumed the development progress in the aforesaid project following the resumption of our business operations.

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

We recorded cost of sales of RM11.38 million for the FYE 31 December 2020 which represents a decrease of RM3.18 million or 21.84% as compared to the preceding financial year of RM14.56 million. The lower cost of sales for the FYE 31 December 2020 is in line with the lower revenue recorded as the construction projects were temporarily halted during the MCO period. Nevertheless, we recorded lower GP which was mainly due to additional material and labour costs incurred for the structural works charged by the sub-contractors amounting to RM0.75 million for the AraTre Project during the financial year under review and our GP margin decreased to 15.25% for the FYE 31 December 2020 as compared to 22.77% for the 12-month FYE 31 December 2019.

We recorded other operating income of RM1.27 million for the FYE 31 December 2020 which represents an increase of RM0.97 million or 323.33% as compared to the preceding financial year of RM0.30 million mainly due to one-off gain from the disposal of investment in subsidiary companies, namely Teratai Megah Sdn Bhd and LFE Engineering (JB) Sdn Bhd, amounting to RM0.91 million during the financial year under review.

We recorded administration expenses of RM4.46 million for the FYE 31 December 2020 which represents an increase of RM1.25 million or 38.94% as compared to the preceding financial year of RM3.21 million mainly due to the recognition of costs for the purpose of our on-going litigation cases as disclosed in **Section 6, Appendix I** of this Abridged Prospectus and corporate exercise amounting to RM1.10 million during the financial year under review.

We recorded other operating expenses of RM0.82 million for the FYE 31 December 2020 which represents a decrease of RM0.19 million or 18.81% as compared to the preceding financial year of RM1.01 million mainly due to the absence of the one-off defect liability expenses amounting to RM0.36 million during the defect liability period for Tanjung Rhu Project for the rectification of air-conditioning works recorded in the preceding financial year.

We recorded LBT and LAT of approximately RM1.71 million as compared to the PBT and PAT of approximately RM0.12 million for the preceding financial year. The LBT and LAT recorded were mainly attributable to lower GP recorded coupled with higher administrative expenses as we continued to incur fixed costs while our operations were restricted during the MCO period to comply with the directives of the Government. Accordingly, we recorded LAT margin of 9.54% for the FYE 31 December 2020 against PAT margin of 0.62% during the preceding financial year.

7.2 Historical financial position

	<-----Audited----->		<--Unaudited-->	
	12-month FYE 31 July 2017	17-month FPE 31 December 2018	12-month FYE 31 December 2019	12-month FYE 31 December 2020
	RM'000	RM'000	RM'000	RM'000
Non-current assets	40,096	33,077	26,711	21,572
Current assets	31,964	17,896	27,275	28,373
Total assets	72,060	50,973	53,986	49,945
Share capital	54,469	55,469	57,142	61,917
Reserves	(10,146)	(22,142)	(22,651)	(24,873)
Equity attributable to owners of our Company	44,323	33,327	34,490	37,044
Non-controlling interests	-	-	-	-
Total equity	44,323	33,327	34,490	37,044

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

	<-----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	12-month FYE 31 December 2020 RM'000
Non-current liabilities	43	-	-	-
Current liabilities	27,694	17,646	19,496	12,901
Total liabilities	27,737	17,646	19,496	12,901
Total liabilities and equity	72,060	50,973	53,986	49,945
Shareholders' funds/ NA	44,323	33,327	34,490	37,044
NA per Share (RM)	0.24	0.18	0.17	0.16

7.3 Historical cash flows

	<-----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	12-month FYE 31 December 2020 RM'000
Net cash generated from/ (used in)				
Operating activities	1,720	(437)	(5,977)	(8,708)
Investing activities	(509)	266	5,106	4,906
Financing activities	(1,085)	43	1,672	4,775
Net increase/(decrease) in cash and cash equivalents	126	(128)	801	973
Changes in cash and bank balances classified as assets held for sale	(14)	14	-	-
Cash and cash equivalents at the beginning of the financial year/period	(343)	(66)	(180)	621
Cash and cash equivalents at the end of the financial year/period	(66)	(180)	621	1,594

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APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

8. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The pro forma effects of the Rights Issue on the substantial shareholders' shareholdings of our Company as at the LPD are set out below:-

Minimum Scenario

Substantial shareholders	As at the LPD		After the Rights Issue	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares
Liew Kiam Woon	17,188,008	7.01	51,564,024	13.65
Liew Teow Woon	11,297,845	4.61	33,893,535	8.97
Shapadu Capital Sdn Bhd	29,677,250	12.10	29,677,250	7.86
Shapadu Corporation Sdn Bhd	-	-	-	-
Ng Kok Kheng	29,200,000	11.90	87,600,000	23.19
Liew Meow Nyeen 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

Notes:-

- *1 Deemed interested by virtue of his shareholding in Liew Meow Nyeen 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.

Maximum Scenario

Substantial shareholders	As at the LPD		After the Rights Issue	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares
Liew Kiam Woon	17,188,008	7.01	51,564,024	7.01
Liew Teow Woon	11,297,845	4.61	33,893,535	4.61

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

Substantial shareholders	As at the LPD		After the Rights Issue	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares
Shapadu Capital Sdn Bhd	29,677,250	12.10	89,031,750	12.10
Shapadu Corporation Sdn Bhd	-	-	-	-
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

Notes:-

- *1 Deemed interested by virtue of his shareholding in Liew Meow Nyeen 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.

9. DIRECTORS' SHAREHOLDINGS

The pro forma effects of the Rights Issue on our Directors' shareholdings of our Company as at the LPD are set out below:-

Minimum Scenario

Directors	As at the LPD		After the Rights Issue	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares
Liew Kiam Woon	17,188,008	7.01	51,564,024	13.65
Kok Tong Yong	32,500	0.01	32,500	0.01
Goh Chee Hoe	-	-	-	-
Loo Thin Tuck	-	-	-	-
Tunku Azlan Bin Tunku Aziz	-	-	-	-

APPENDIX I - INFORMATION ON OUR COMPANY (CONT'D)

Directors	As at the LPD		After the Rights Issue	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares
Tng Ling	-	-	-	-

Note:-

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

Maximum Scenario

Directors	As at the LPD		After the Rights Issue	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares	<-----Direct-----> No. of Shares	<-----Indirect-----> % No. of Shares
Liew Kiam Woon	17,188,008	7.01	51,564,024	7.01
Kok Tong Yong	32,500	0.01	97,500	0.01
Goh Chee Hoe	-	-	-	-
Loo Thin Tuck	-	-	-	-
Tunku Azlan Bin Tunku Aziz	-	-	-	-
Tng Ling	-	-	-	-

Note:-

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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB



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

UHY (AF1411)
Chartered Accountants
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59200 Kuala Lumpur

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Email uhykl@uhy.com.my
Web www.uhy.com.my

5 March 2021

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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)



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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)



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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)



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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 Abridged Prospectus 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.

A handwritten signature in black ink, appearing to be 'UHY'.

UHY
Firm Number: AF 1411
Chartered Accountants

A handwritten signature in black ink, appearing to be 'LIM WAN YINN'.

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

KUALA LUMPUR

5 March 2021

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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
Total assets		24,368,382	47,466,978	46,862,070	52,759,087
		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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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COSMO PROPERTY MANAGEMENT SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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		<u>2,756,337</u>	<u>5,814,915</u>	<u>8,747,755</u>
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		<u>2,160,819</u>	<u>5,743,131</u>	<u>8,332,543</u>
Finance costs	17	(461,622)	(471,627)	(342,214)
Profit before tax	18	<u>1,699,197</u>	<u>5,271,504</u>	<u>7,990,329</u>
Taxation	19	(342,754)	(1,130,931)	(2,039,720)
Net profit for the financial year, representing total comprehensive income for the financial year		<u>1,356,443</u>	<u>4,140,573</u>	<u>5,950,609</u>

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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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	<u>2,274,492</u>	<u>5,778,091</u>	<u>8,548,005</u>
Changes in working capital:			
Receivables	(23,200,427)	2,334,405	(7,338,084)
Payables	20,997,574	(4,099,198)	1,101,036
	<u>(2,202,853)</u>	<u>(1,764,793)</u>	<u>(6,237,048)</u>
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)
	<u>(930,588)</u>	<u>(1,141,057)</u>	<u>(1,426,685)</u>
Net cash (used in)/generated from operating activities	<u>(858,949)</u>	<u>2,872,241</u>	<u>884,272</u>
Cash Flows From Investing Activity			
Purchase of property, plant and equipment	-	(26,824)	-
Net cash used in investing activity	<u>-</u>	<u>(26,824)</u>	<u>-</u>
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	<u>(34,539)</u>	<u>(1,221,531)</u>	<u>(199,216)</u>

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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	<u>(3,030,846)</u>	<u>(3,924,334)</u>	<u>(2,300,448)</u>
Cash and cash equivalents at the end of the financial year	<u>(3,924,334)</u>	<u>(2,300,448)</u>	<u>(1,615,392)</u>
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	<u>(3,965,485)</u>	<u>(3,978,131)</u>	<u>(1,910,256)</u>
Cash and cash equivalents	<u>(3,924,334)</u>	<u>(2,300,448)</u>	<u>(1,615,392)</u>

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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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 the inclusion in the Abridged Prospectus 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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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 References to the Conceptual Framework in MFRS Standards	
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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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 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

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

Amendments to MFRS 1, MFRS 9, MFRS 16, MFRS 141	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
Amendments to MFRS 137	Onerous Contracts-Cost of Fulfilling a Contract

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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

The initial application of the above-mentioned MFRSs is 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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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
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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

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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.

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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.

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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.

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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.

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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

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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	-
	<u>-</u>	<u>219,824</u>	<u>-</u>

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	<u>223,925</u>	<u>156,747</u>	<u>294,506</u>	<u>183,413</u>

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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
Less : Reversal of completed project	30,377,239	47,827,702	75,060,032	81,596,441
	(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

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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.

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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
	<u>22,714,410</u>	<u>27,882,563</u>	<u>19,649,211</u>	<u>25,062,861</u>
Less: Impairment losses	(479,801)	(479,712)	(386,747)	(444,995)
Total trade receivables	<u>22,234,609</u>	<u>27,402,851</u>	<u>19,262,464</u>	<u>24,617,866</u>

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
	<u>20,202,033</u>	<u>479,801</u>	<u>19,722,232</u>
	<u>22,714,410</u>	<u>479,801</u>	<u>22,234,609</u>
Credit impaired:			
More than 90 days	-	-	-
	<u>22,714,410</u>	<u>479,801</u>	<u>22,234,609</u>

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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
31.12.2017			
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
	<u>21,808,721</u>	<u>479,712</u>	<u>21,329,009</u>
	<u>27,882,563</u>	<u>479,712</u>	<u>27,402,851</u>
Credit impaired:			
More than 90 days	-	-	-
	<u>27,882,563</u>	<u>479,712</u>	<u>27,402,851</u>

	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
	<u>14,138,318</u>	<u>386,747</u>	<u>13,751,571</u>
	<u>19,649,211</u>	<u>386,747</u>	<u>19,262,464</u>
Credit impaired:			
More than 90 days	-	-	-
	<u>19,649,211</u>	<u>386,747</u>	<u>19,262,464</u>

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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
	<u>25,062,861</u>	<u>444,995</u>	<u>24,617,866</u>
Credit impaired:			
More than 90 days	-	-	-
	<u>25,062,861</u>	<u>444,995</u>	<u>24,617,866</u>

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.

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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
	<u>1,959,412</u>	<u>12,504,476</u>	<u>14,698,929</u>	<u>17,149,245</u>
Deposits	18,500	18,500	18,500	18,500
Prepayments	12,791	-	3,664	3,904
	<u>1,990,703</u>	<u>12,522,976</u>	<u>14,721,093</u>	<u>17,171,649</u>

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

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.

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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	<u>106,269</u>	<u>208,929</u>	<u>146,690</u>
Presented as:			
Non-current	27,155	146,690	109,495
Current	79,114	62,239	37,195
	<u>106,269</u>	<u>208,929</u>	<u>146,690</u>

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
	<u>191,800</u>	<u>109,600</u>	<u>232,571</u>	<u>161,203</u>
Less : Future finance charges	(9,943)	(3,331)	(23,642)	(14,513)
	<u>181,857</u>	<u>106,269</u>	<u>208,929</u>	<u>146,690</u>
Less : Amount repayable within the next twelve month	(75,588)	(79,114)	(62,239)	(37,195)
Amount repayable after the next twelve months	<u>106,269</u>	<u>27,155</u>	<u>146,690</u>	<u>109,495</u>

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.

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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.

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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
	<u>6,700,396</u>	<u>25,242,664</u>	<u>20,196,476</u>	<u>23,297,418</u>

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
	<u>7,135,566</u>	<u>7,968,184</u>	<u>6,849,639</u>	<u>4,644,787</u>

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	<u>4.09%-4.34%</u>	<u>4.09%-4.34%</u>	<u>4.09%-4.34%</u>	<u>4.09%-4.34%</u>

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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
	<u>26,023,784</u>	<u>27,232,330</u>	<u>27,161,280</u>

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 construction works performed	23,267,447	21,417,415	5,607,153
Other construction works completed	-	-	12,806,372
	<u>23,267,447</u>	<u>21,417,415</u>	<u>18,413,525</u>

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
	<u>461,622</u>	<u>471,627</u>	<u>342,214</u>

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18. Profit before tax

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

	31.12.2017	31.12.2018	31.12.2019
	RM	RM	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	31.12.2018	31.12.2019
	RM	RM	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
	<u>342,754</u>	<u>1,130,931</u>	<u>2,039,720</u>

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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)	-
	<u>342,754</u>	<u>1,130,931</u>	<u>2,039,720</u>

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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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
	<u>4,143,507</u>	<u>(34,539)</u>	<u>4,108,968</u>	<u>193,000</u>	<u>(1,221,531)</u>	<u>3,080,437</u>	<u>(199,216)</u>	<u>2,881,221</u>

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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	31.12.2017	31.12.2018	31.12.2019
	RM	RM	RM	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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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	31.12.2017	31.12.2018	31.12.2019
	RM	RM	RM	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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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
<u>Non-derivative financial liabilities</u>				
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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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 borrowings	4,644,787	-	4,644,787	4,644,787
Total undiscounted financial liabilities	35,053,682	117,235	35,170,917	35,156,404

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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	31.12.2017	31.12.2018	31.12.2019
	RM	RM	RM	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	<u>6,992,496</u>	<u>7,927,033</u>	<u>5,171,956</u>	<u>4,349,923</u>
Total equity	<u>4,863,310</u>	<u>6,219,753</u>	<u>10,360,326</u>	<u>16,310,935</u>
Gearing ratio	<u>144%</u>	<u>127%</u>	<u>50%</u>	<u>27%</u>

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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

Registration No. 201001030059 (913979 - V)

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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.

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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

APPENDIX II – ACCOUNTANTS' REPORT ON CPMSB (CONT'D)

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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.

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES



5 MARCH 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 THE
ABRIDGED PROSPECTUS OF LFE**

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 2020, 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 Abridged Prospectus of LFE 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 6 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 consolidated statement of financial position of LFE as at 31 December 2020 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 unaudited 4th quarter results for the financial year ended 31 December 2020, which was announced on 25 February 2021 and the subsequent amended announcement, which was announced on 5 March 2021.

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APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

**LFE CORPORATION BERHAD (Continued)**

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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 6 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 were addressed by us at the dates of their issues.

The purpose of the Pro Forma included in the Abridged Prospectus of LFE 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.

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)



LFE CORPORATION BERHAD (Continued)

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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 6 of Appendix A.

Other Matters

This letter is issued solely for the purpose of inclusion in the Abridged Prospectus 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


HLB AAC PLT
(LLP0022843-LCA & AF001977)
CHARTERED ACCOUNTANTS


TEH WEIL XUAN
03453/10/2021 J
CHARTERED ACCOUNTANT

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MINIMUM SCENARIO**



	As at 31 December 2020 ⁽¹⁾ RM	Pro Forma (I) Rights Shares subscribed by Undertaking Shareholders only RM	Pro Forma (II) After (I) and Proposed Acquisition of CPMSB RM
MINIMUM SCENARIO			
Non-Current Assets			
Property, plant and equipment	406,310	406,310	638,218
Investment in joint ventures	21,165,461	21,165,461	21,165,461
Goodwill on consolidation	-	-	19,221,423
	21,571,771	21,571,771	41,025,102
Current Assets			
Contract assets	6,803,807	6,803,807	9,978,515
Trade receivables	12,014,460	12,014,460	36,632,326
Other receivables	7,960,124	7,960,124	22,377,773
Amount owing by a related company	-	-	7,500,000
Cash and bank balances	1,594,295	11,779,825	389,159
Total Current Assets	28,372,686	38,558,216	76,877,773
Total Assets	49,944,457	60,129,987	117,902,875

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LIFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

**LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MINIMUM SCENARIO (CONTINUED)**

APPENDIX A



MINIMUM SCENARIO	Pro Forma (I)		
	As at 31 December 2020 ⁽¹⁾	Rights Shares subscribed by Undertaking Shareholders only	Pro Forma (I) After (I) and Proposed Acquisition of CPMSB
	RM	RM	RM
Equity attributable to owners of the Company			
Share capital	61,916,835	72,146,365	78,696,365
Capital reserve	17,567,825	17,567,825	17,567,825
Foreign exchange translation reserve	1,342,824	1,342,824	1,342,824
Accumulated losses	(43,783,482)	(43,827,482)	(44,118,482)
	37,044,002	47,229,532	53,488,532
Non-controlling interests	-	-	7,992,358
Total Equity	37,044,002	47,229,532	61,480,890
Non-Current Liabilities			
Lease liabilities	-	-	109,495
Deferred tax liabilities	-	-	8,656
	-	-	118,151
Current Liabilities			
Trade payables	4,911,000	4,911,000	11,978,509
Other payables	7,950,908	7,950,908	31,248,326
Contract liabilities	38,547	38,547	38,547
Lease liabilities	-	-	37,195
Bank borrowings	-	-	11,486,257
Current tax liabilities	-	-	1,515,000
	12,900,455	12,900,455	56,303,834
Total Liabilities	12,900,455	12,900,455	56,421,985
	49,944,457	60,129,987	117,902,875

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

**LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MINIMUM SCENARIO (CONTINUED)**

APPENDIX A



MINIMUM SCENARIO

	As at 31 December 2020 ⁽¹⁾	Pro Forma (I) Rights Shares subscribed by Undertaking Shareholders only	Pro Forma (II) After (I) and Proposed Acquisition of CPMSB
Supplementary information			
Number of LFE Shares in issue	245,283,745	377,715,367	443,215,367
Net assets ⁽²⁾ (RM)	37,044,002	47,229,532	53,488,532
Net assets per Share ⁽³⁾ (RM)	0.15	0.13	0.12
Total Borrowings ⁽⁴⁾ (RM)	-	-	11,632,947
Gearing ratio ⁽⁵⁾	-	-	0.22

Notes:

- (1) Extracted from the unaudited 4th quarter results of LFE for the financial year ended 31 December 2020.
- (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 III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LIFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MAXIMUM SCENARIO**



	As at 31 December 2020 ⁽¹⁾	Pro Forma (I) Rights Shares subscribed by all Entitled Shareholders	Pro Forma (II) After (I) and Proposed Acquisition of CPMSB
	RM	RM	RM
MAXIMUM SCENARIO			
Non-Current Assets			
Property, plant and equipment	406,310	406,310	638,218
Investment in joint ventures	21,165,461	21,165,461	21,165,461
Goodwill on consolidation	-	-	19,221,423
	21,571,771	21,571,771	41,025,102
Current Assets			
Contract assets	6,803,807	6,803,807	9,978,515
Trade receivables	12,014,460	12,014,460	36,632,326
Other receivables	7,960,124	7,960,124	22,377,773
Amount owing by a related company	-	-	7,500,000
Cash and bank balances	1,594,295	40,430,694	22,198,558
	28,372,686	67,209,085	98,687,172
Total Assets	49,944,457	88,780,856	139,712,274

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LIFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

LIFE CORPORATION BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MAXIMUM SCENARIO (CONTINUED)

APPENDIX A



MAXIMUM SCENARIO	Pro Forma (I)		Pro Forma (II)
	As at 31 December 2020 ⁽¹⁾	Rights Shares subscribed by all Entitled Shareholders	
	RM	RM	RM
<u>Equity attributable to owners of the Company</u>			
Share capital	61,916,835	100,797,234	107,347,234
Capital reserve	17,567,825	17,567,825	17,567,825
Foreign exchange translation reserve	1,342,824	1,342,824	1,342,824
Accumulated losses	(43,783,482)	(43,827,482)	(44,118,482)
	37,044,002	75,880,401	82,139,401
Non-controlling interests	-	-	7,992,358
Total Equity	37,044,002	75,880,401	90,131,759
<u>Non-Current Liabilities</u>			
Lease liabilities	-	-	109,495
Deferred tax liabilities	-	-	8,656
	-	-	118,151
<u>Current Liabilities</u>			
Trade payables	4,911,000	4,911,000	11,978,509
Other payables	7,950,908	7,950,908	31,248,326
Contract liabilities	38,547	38,547	38,547
Lease liabilities	-	-	37,195
Bank borrowings	-	-	4,644,787
Current tax liabilities	-	-	1,515,000
	12,900,455	12,900,455	49,462,364
Total Liabilities	12,900,455	12,900,455	49,580,515
	53,986,311	97,597,445	148,528,863

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

**LFE CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MAXIMUM SCENARIO (CONTINUED)**

APPENDIX A



MAXIMUM SCENARIO	As at 31 December 2020 ⁽¹⁾	Pro Forma (I) Rights Shares subscribed by all Entitled Shareholders	Pro Forma (II) After (I) and Proposed Acquisition of CPMSB
Supplementary information			
Number of LFE Shares in issue	245,283,745	735,851,235	801,351,235
Net assets ⁽²⁾ (RM)	37,044,002	75,880,401	82,139,401
Net assets per Share ⁽³⁾ (RM)	0.15	0.10	0.10
Total Borrowings ⁽⁴⁾ (RM)	-	-	4,791,477
Gearing ratio ⁽⁵⁾	-	-	0.06

Notes:

- (1) Extracted from the unaudited 4th quarter results of LFE for the financial year ended 31 December 2020.
- (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 III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



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 unaudited consolidated statement of financial position of LFE as at 31 December 2020 had the transactions as described in Note 2 to 6 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 2020. Further, such information does not purport to predict LFE's future financial position.

2. 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 III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



3. 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	<u>6,550,000</u>
Total	<u>27,540,000</u>

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.

4. 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 5.1.1) 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 III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



5. The Pro Forma

5.1 Minimum Scenario

5.1.1 Pro Forma I

Pro Forma I incorporate 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 No. of Shares	Rights Shares to be subscribed pursuant to undertakings No. of Shares	Shareholdings after the Proposed Rights Issue 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 Nyeen Realty	8,529,958	17,059,916	25,589,874
Total	66,215,811	132,431,622	198,647,433

Based on the subscription of 132,431,622 Rights Shares at an issue price of RM0.08 per Rights Shares, the total gross proceeds to be raised under the Minimum Scenario is RM10,594,530 and the total gross proceeds are intended to be utilised in the following manner:

Proposed Utilisation	RM	%	Timeframe for utilisation from completion of the Proposed Rights Issue
Partial settlement of the Cash Consideration for the Proposed Acquisition of CPMSB	9,894,530	93.4	Upon completion
Estimated expenses	700,000	6.6	Upon completion
Total gross proceeds	10,594,530	100.0	

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).

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

LFE CORPORATION BERHAD
 NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2020

APPENDIX A

5. The Pro Forma (Continued)

5.1 Minimum Scenario (Continued)

5.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I 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:

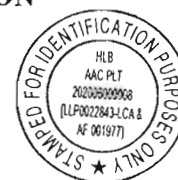
	RM
Cash	14,148,530
Bank borrowings [^]	6,841,470
Issuance of 65,500,000 Consideration Shares at an issue price of RM0.10 each	6,550,000
Total	<u>27,540,000</u>

[^] 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	<u>(1,515,000)</u>	
		(16,310,935)
Add: Non-controlling interest		7,992,358
Goodwill on consolidation		<u>19,221,423</u>

* 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 III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



5. The Pro Forma (Continued)

5.1 Minimum Scenario (Continued)

5.1.2 Pro Forma II (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 2020:

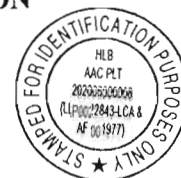
	Increase / (Decrease)	
	Effects on Total Assets RM	Effects on Total Liabilities and Equity RM
Property, plant and equipment	231,908	
Goodwill on consolidation	19,221,423	
Contract assets	3,174,708	
Trade receivables	24,617,866	
Other receivables**	14,417,649	
Amount owing by a related company	7,500,000	
Cash and bank balances**	(11,390,666)	
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		11,486,257
Current tax liabilities		1,515,000
	57,772,888	57,772,888

** LFE has paid a deposit of RM2,754,000 to the Vendor during the financial year ended 31 December 2020, the amount is classified as other receivables in LFE's financial statements. The cash payment of RM14,148,530 is offset by the deposit made of RM2,754,000, accordingly, the other receivables of LFE is reduced by the same amount upon the completion of the proposed acquisition of CPMSB.

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



5. The Pro Forma (Continued)

5.2 Maximum Scenario

5.2.1 Pro Forma I

Pro Forma I incorporate 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.

Based on the subscription of 490,567,490 Rights Shares at an issue price of RM0.08 per Rights Shares, the total gross proceeds to be raised under the Maximum Scenario is RM39,245,399 and the total gross proceeds are intended to be utilised in the following manner:

Proposed Utilisation	RM	%	Timeframe for utilisation from completion of the Proposed Rights Issue
Full settlement of the Cash Consideration for the Proposed Acquisition of CPMSB	18,236,000	46.5	Upon completion
Working capital	20,309,399	51.7	Within 12 months
Estimated expenses	700,000	1.8	Upon completion
Total gross proceeds	39,245,399	100.0	

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 III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



5. The Pro Forma (Continued)

5.2 Maximum Scenario (Continued)

5.2.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I 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	<u>6,550,000</u>
Total	<u>27,540,000</u>

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	<u>(1,515,000)</u>	
		(16,310,935)
Add: Non-controlling interest		<u>7,992,358</u>
Goodwill on consolidation		<u>19,221,423</u>

* 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.

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

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

5. The Pro Forma (Continued)

5.2 Maximum Scenario (Continued)

5.2.2 Pro Forma II (Continued)

The Proposed Acquisition of CPMSB will have the following impact on the Pro Forma as at 31 December 2020:

	Increase / (Decrease)	
	Effects on Total Assets	Effects on Total Liabilities and Equity
	RM	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**	14,417,649	
Amount owing by a related company	7,500,000	
Cash and bank balances**	(18,232,136)	
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

** LFE has paid a deposit of RM2,754,000 to the Vendor during the financial year ended 31 December 2020, the amount is classified as other receivables in LFE's financial statements. The cash payment of RM20,990,000 is offset by the deposit made of RM2,754,000, accordingly, the other receivables of LFE is reduced by the same amount upon the completion of the proposed acquisition of CPMSB.

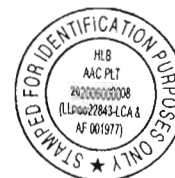
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APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



6. Effects on the Pro Forma

6.1 Movement in Cash and Bank Balances

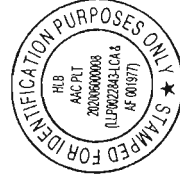
Minimum Scenario	RM
As at 31 December 2020	1,594,295
Effects of Pro Forma I - Rights Shares subscribed by Undertaking Shareholders only	
- Rights Shares subscribed by Undertaking Shareholders only	10,594,530
- Estimated expenses for the Proposed Rights Issue	(409,000)
Pro Forma I	11,779,825
Effects of Pro Forma II - Proposed Acquisition of CPMSB	
- Purchase consideration for the Proposed Acquisition of CPMSB	(11,394,530)
- Estimated expenses for the Proposed Acquisition of CPMSB	(291,000)
- Consolidation of cash and bank balances of CPMSB	294,864
Pro Forma II	389,159
Maximum Scenario	RM
As at 31 December 2020	1,594,295
Effects of Pro Forma I - Rights Shares subscribed by all Entitled Shareholders	
- Rights Shares subscribed by all Entitled Shareholders	39,245,399
- Estimated expenses for the Proposed Rights Issue	(409,000)
Pro Forma I	40,430,694
Effects of Pro Forma II - Proposed Acquisition of CPMSB	
- Purchase consideration for the Proposed Acquisition of CPMSB	(18,236,000)
- Estimated expenses for the Proposed Acquisition of CPMSB	(291,000)
- Consolidation of cash and bank balances of CPMSB	294,864
Pro Forma II	22,198,558

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APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LIFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LIFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



	Share capital RM	Capital reserve RM	Foreign exchange translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
6. Effects on the Pro Forma (Continued)							
6.2 Movement in Equity							
Minimum Scenario							
As at 31 December 2020	61,916,835	17,567,825	1,342,824	(43,783,482)	37,044,002	-	37,044,002
Effects of Pro Forma I – Rights Shares subscribed by Undertaking	10,229,530	-	-	(44,000)	10,185,530	-	10,185,530
Shareholders only	72,146,365	17,567,825	1,342,824	(43,827,482)	47,229,532	-	47,229,532
Pro Forma I							
Effects of Pro Forma II - Proposed Acquisition of CPMSB	6,550,000	-	-	(291,000)	6,259,000	7,992,358	14,251,358
Pro Forma II	78,696,365	17,567,825	1,342,824	(44,118,482)	53,488,532	7,992,358	61,480,890

APPENDIX III - REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LIFE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES (CONT'D)

APPENDIX A

**LIFE CORPORATION BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**



6. Effects on the Pro Forma (Continued)

6.2 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 2020	61,916,835	17,567,825	1,342,824	(43,783,482)	37,044,002	-	37,044,002
Effects of Pro Forma I - Rights Shares subscribed by all Entitled Shareholders	38,880,399	-	-	(44,000)	38,836,399	-	38,836,399
Pro Forma I	100,797,234	17,567,825	1,342,824	(43,827,482)	75,880,401	-	75,880,401
Effects of Pro Forma II - Proposed Acquisition of CPMSB	6,550,000	-	-	(291,000)	6,259,000	7,992,358	14,251,358
Pro Forma II	107,347,234	17,567,825	1,342,824	(44,118,482)	82,139,401	7,992,358	90,131,759

APPENDIX IV - ADDITIONAL INFORMATION

1. CONSENTS

Our Principal Adviser, company secretary, the due diligence solicitors, our Share Registrar, Reporting Accountants and Bloomberg Finance Singapore L.P. have given and have not subsequently withdrawn their written consents for the inclusion in this Abridged Prospectus of their name and all reference thereto in the form and context in which they appear in this Abridged Prospectus.

2. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of 6 months from the date of this Abridged Prospectus:-

- i. the material contracts as referred to in **Section 5, Appendix I** of this Abridged Prospectus;
- ii. the Accountants' Report on CPMSB as set out in **Appendix II** of this Abridged Prospectus;
- iii. the Reporting Accountants' letter on the pro forma consolidated statements of financial position of LFE Group as at 31 December 2020 together with the notes as set out in **Appendix III** of this Abridged Prospectus;
- iv. letters of consent as referred to in **Section 1, Appendix IV** of this Abridged Prospectus; and
- v. the irrevocable and unconditional undertaking letters dated 5 October 2020 as referred to in **Section 3** of this Abridged Prospectus.

3. RESPONSIBILITY STATEMENT

Our Board has seen and approved this Abridged Prospectus together with the accompanying NPA and RSF. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, they confirmed that there is no false or misleading statement or other facts which if omitted, would make any statement in the Documents false or misleading.

UOBKH, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of their knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.