THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

The Circular has been reviewed by M&A Securities Sdn Bhd, as the Principal Adviser and Sponsor to Econframe.

The approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Consideration Shares (as defined herein) to be issued pursuant to Proposed Acquisition 1 (as defined herein) shall not be taken to indicate that Bursa Securities recommends the Proposed Acquisition 1. Bursa Securities takes no responsibility for the contents of this Circular, valuation certificate and report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

ECONFRAME BERHAD
(Registration No. 201901042935 (1352265-T))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PROPOSED ACQUISITIONS BY ECONFRAME BERHAD FROM YONG KUEN HWAN OF:

- **487,500 ORDINARY SHARES IN THE SHARE CAPITAL OF LEE & YONG ALUMINIUM SDN BHD, REPRESENTING 65% EQUITY INTEREST; AND**
- **29,184 ORDINARY SHARES IN THE SHARE CAPITAL OF TRANS UNITED SDN BHD, REPRESENTING 100% EQUITY INTEREST,**

FOR A TOTAL PURCHASE CONSIDERATION OF RM18,200,000

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

M&A SECURITIES SDN BHD
(Registration No. 197301001503 (15017-H))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of the Extraordinary General Meeting ("**EGM**") to be held at the Putra Room, Sultan Abdul Aziz Shah Golf & Country Club, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan together with the Form of Proxy, are enclosed. The Form of Proxy should be lodged with the Company's registered office at c/o Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time appointed for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Wednesday, 12 July 2023 at 10:30 a.m.
Date and time for the EGM	:	Friday, 14 July 2023 at 10:30 a.m.

This Circular is dated 22 June 2023

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

"12-month FPE"	:	12-months financial period ending
"Board"	:	Board of Directors of the Company
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Certified Accounts"	:	The consolidated financial statements for the relevant 12-month FPE as may be verified, approved and certified by the external auditors, which shall in the absence of manifest error be conclusive, final and binding on the parties
"Circular"	:	This circular to the shareholders of Econframe dated 22 June 2023 in relation to the Proposed Acquisitions
"Completion Date"	:	The day falling within 30 days from the date all the conditions precedent of the SSAs are obtained and/or fulfilled or such other date as may be agreed upon between the parties, where the completion of the sale and purchase of the Sale Shares shall take place and upon which the Consideration Shares shall be issued and allotted. Proposed Acquisition 1 and Proposed Acquisition 2 are to be completed simultaneously
"Consideration Shares"	:	A total of 10,459,770 new Econframe Shares to be issued and allotted to the Vendor at an issue price of RM0.87 per Econframe Share
"Econframe" or "Company" or "Purchaser"	:	Econframe Berhad
"Econframe Group" or "Group"	:	Econframe and its subsidiaries, collectively
"Econframe Shares" or "Shares"	:	Ordinary shares in Econframe
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per share
"Factory Complex"	:	A factory complex comprising a 3-storey office building attached with a single storey factory building and a guard house
"FPE"	:	Financial period ended/ending, as the case may be
"FYE"	:	Financial year ended
"GP"	:	Gross profit
"Guaranteed Amount"	:	Audited PAT of not less than RM4,000,000 for each of the 12-month FPE
"Guaranteed Period"	:	12-month FPEs 31 August 2024, 31 August 2025 and 31 August 2026, collectively

"Henry Butcher" or "Independent Valuer"	:	Henry Butcher Malaysia (Kelantan) Sdn Bhd
"LAT"	:	Loss after taxation
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LPD"	:	15 June 2023, being the latest practicable date prior to the printing of this Circular
"LTD"	:	16 January 2023, being the last trading date prior to the execution of the SSAs
"LYASB"	:	Lee & Yong Aluminium Sdn Bhd
"LYASB Purchase Consideration"	:	The purchase consideration of LYASB Sale Shares for RM17,200,000, of which RM8,100,000 is to be satisfied in cash and the remaining RM9,100,000 shall be via the issuance and allotment of the Consideration Shares
"LYASB Sale Shares"	:	487,500 LYASB Shares
"LYASB Shares"	:	Ordinary shares in LYASB
"Maximum Scenario"	:	Assuming all the outstanding 148,080,348 Warrants are exercised into new Econframe Shares prior to the implementation of the Proposed Acquisitions
"Minimum Scenario"	:	Assuming none of the outstanding 148,080,348 Warrants are exercised into new Econframe Shares prior to the implementation of the Proposed Acquisitions
"M&A Securities" or "Principal Adviser"	:	M&A Securities Sdn Bhd
"NA"	:	Net assets
"P/E"	:	Price-to-earnings
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Proposed Acquisitions"	:	Proposed Acquisition 1 and Proposed Acquisition 2, collectively
"Proposed Acquisition 1"	:	Proposed acquisition by Econframe of the LYASB Sale Shares from the Vendor at the LYASB Purchase Consideration
"Proposed Acquisition 2"	:	Proposed acquisition by Econframe of the TUSB Sale Shares from the Vendor at the TUSB Purchase Consideration
"Purchase Consideration"	:	LYASB Purchase Consideration and TUSB Purchase Consideration, collectively
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively

"Sale Shares"	:	LYASB Sale Shares and TUSB Sale Shares, collectively
"Smith Zander"	:	Smith Zander International Sdn Bhd, the Independent Market Researcher
"SSAs"	:	SSA 1, Supplemental SSA 1 and SSA 2, collectively
"SSA 1"	:	Conditional share sale agreement dated 17 January 2023 entered into between Econframe and Yong Kuen Hwan in relation to the Proposed Acquisition 1
"SSA 2"	:	Conditional share sale agreement dated 17 January 2023 entered into between Econframe and Yong Kuen Hwan in relation to the Proposed Acquisition 2
"Security Shares"	:	The entire Consideration Shares to be placed with the Stakeholder on the Completion Date
"Stakeholder"	:	Messrs. Julius Leonie Chai or its authorised nominee, who is also the Purchaser's solicitor
"Supplemental SSA 1"	:	Supplemental share sale agreement dated 12 May 2023 entered into between Econframe and Yong Kuen Hwan to vary a clause in SSA 1 in relation to the Proposed Acquisition 1
"TUSB"	:	Trans United Sdn Bhd
"TUSB Purchase Consideration"	:	The cash purchase consideration for the TUSB Sale Shares of RM1,000,000
"TUSB Sale Shares"	:	29,184 TUSB Shares
"TUSB Shares"	:	Ordinary shares in TUSB
"Vendor"	:	Yong Kuen Hwan
"VWAMP"	:	Volume weighted average market price
"Warrants"	:	148,080,348 warrants 2022/2027 as at the LPD
"Year 1"	:	31 August 2024
"Year 2"	:	31 August 2025
"Year 3"	:	31 August 2026

Any reference in this Circular to any statues, rules, regulations or rules of the stock exchange is a reference to such statues, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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CIRCULAR TO THE SHAREHOLDERS OF ECONFRAME IN RELATION TO THE PROPOSED ACQUISITIONS CONTAINING:

ECONFRAME BERHAD
(Registration No. 201901042935 (1352265-T))
(Incorporated in Malaysia)

Registered Office:

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

22 June 2023

Board of Directors:

Robert Koong Yin Leong *(Independent Non-Executive Chairman)*
Lim Chin Horng *(Managing Director)*
Khoo Soon Beng *(Executive Director)*
Teoh Keng Chang *(Executive Director)*
Lim Saw Nee *(Non-Independent Non-Executive Director)*
Lim Foo Seng *(Non-Independent Non-Executive Director)*
Tan Hock Soon *(Senior Independent Non-Executive Director)*
Ilham Fadilah Binti Sunhaji *(Independent Non-Executive Director)*
Chan Soon Tat *(Independent Non-Executive Director)*

Dear Shareholders,

PROPOSED ACQUISITIONS

1. INTRODUCTION

On 17 January 2023, M&A Securities, had on behalf of the Board, announced that Econframe had on even date entered into the following agreements with the Vendor:

(i) SSA 1 for the acquisition of the LYASB Sale Shares, representing 65% equity interest in LYASB at the LYASB Purchase Consideration, of which RM8,100,000 is to be satisfied in cash and the remaining RM9,100,000 shall be via the issuance and allotment of the Consideration Shares; and

(ii) SSA 2 for the acquisition of the TUSB Sale Shares, representing 100% equity interest in TUSB at the TUSB Purchase Consideration.

On 7 March 2023, M&A Securities, on behalf of the Board, announced that the Company had on even date submitted an application for an extension of time of up to 17 May 2023 to submit the additional listing application to Bursa Securities. The said extension of time was approved by Bursa Securities on 15 March 2023.

On 12 May 2023, M&A Securities, on behalf of the Board, announced that the Company had on even date entered into the Supplemental SSA 1 with the Vendor to vary the number of LYASB Sale Shares arising from the increase in the issued share capital of LYASB by the Vendor to facilitate the growing business demands of LYASB. Save for the foregoing, there is no change to the remaining terms of the SSA 1.

Subsequently on 9 June 2023, M&A Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 9 June 2023, approved the listing of and quotation for the Consideration Shares to be issued pursuant to Proposed Acquisition 1, subject to the following conditions:

No.	Conditions	Status of compliance
(i)	Econframe and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition 1;	To be complied
(ii)	Econframe and M&A Securities are to inform Bursa Securities upon the completion of the Proposed Acquisition 1;	To be complied
(iii)	Econframe is to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition 1 is completed;	To be complied
(iv)	Compliance by Econframe with the public shareholding spread upon completion of the Proposed Acquisition 1 and upon completion of the profit guarantee period. In this connection, M&A Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities prior to the allotment and issuance of the Consideration Shares and prior to the transfer of each tranche of the Consideration Shares.	To be complied
(v)	Econframe is to furnish to Bursa Securities with a certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed Acquisition 1.	To be complied

The purpose of this Circular is to provide you with the details of the Proposed Acquisitions, together with the recommendation from the Board and to seek your approval on the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM of the Company. The notice of EGM together with the Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING BY WAY OF POLL ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSED ACQUISITIONS

2.1 Background information on the Proposed Acquisitions

The Proposed Acquisitions involve Econframe acquiring from the Vendor:

(i) 65% equity interest in LYASB, which is principally in the business of fabrication and installation of aluminium glazing and glass products and facade works, comprising aluminium and glass doors, aluminium curtain walling systems, aluminium facades and cladding systems, aluminium sunscreens and aluminium louvres for residential and commercial buildings; and

(ii) 100% equity interest in TUSB, which is the registered owner of a parcel of leasehold industrial land,

subject to the terms and conditions contained in the SSAs. For information, erected on the said parcel of leasehold industrial land is the Factory Complex. The Factory Complex is owned by LYASB. The leasehold industrial land is rented to LYASB on which the Factory Complex and business of LYASB operates from.

Please refer to **Appendices I and II** of this Circular for the salient terms of the SSAs.

2.2 Mode of settlement and source of funding

The Purchase Consideration will be funded in the following manner:

Source of funding	**RM**	**(%)**
Cash via internally generated funds	9,100,000	50.00
Issuance of Consideration Shares	9,100,000	50.00
Total Purchase Consideration	**18,200,000**	**100.00**

(i) LYASB Purchase Consideration

The LYASB Purchase Consideration is to be satisfied/settled in the following manner:

Date of settlement	**Payment terms**	**RM**
Upon execution of SSA 1		
Cash payment	Equivalent to 10% of the LYASB Purchase Consideration ("**LYASB Deposit**")(1)	1,720,000
On Completion Date		
Cash payment	Balance cash payment equivalent to approximately 37% of the LYASB Purchase Consideration	6,380,000
Consideration Shares	Issuance of 10,459,770 Consideration Shares at an issue price of RM0.87 per Consideration Share, equivalent to approximately 53% of the LYASB Purchase Consideration	9,100,000
	LYASB Purchase Consideration	**17,200,000**

(ii) TUSB Purchase Consideration

The TUSB Purchase Consideration is to be satisfied/settled in the following manner:

Date of settlement	Payment terms	RM
Upon execution of SSA 2		
Cash payment	Equivalent to 10% of the TUSB Purchase Consideration ("**TUSB Deposit**")[(1)]	100,000
On Completion Date		
Cash payment	Balance payment equivalent to 90% of the TUSB Purchase Consideration	900,000
	TUSB Purchase Consideration	**1,000,000**

Note:

(1) The LYASB Deposit and TUSB Deposit were paid by the Purchaser to the Purchaser's solicitor as stakeholder upon the execution of the respective SSAs on 17 January 2023. The Stakeholder is authorised to release the LYASB Deposit and TUSB Deposit to the Vendor on the date all the conditions precedent of the SSAs are obtained and/or fulfilled.

2.3 Profit guarantee

In consideration of the Purchaser acquiring the LYASB Sale Shares, the Vendor has provided a 3 year profit guarantee to be achieved for LYASB for the Guaranteed Period. Under the terms of the profit guarantee, the Vendor unconditionally and irrevocably covenants with and undertakes to Econframe that LYASB shall achieve an audited PAT of not less than the Guaranteed Amount for each of the 12-month FPE under the Guaranteed Period; and a minimum cumulative audited PAT of not less than RM12.0 million for the Guaranteed Period ("**Guaranteed Target**").

For the purpose of computation of the PAT and determination of the performance of the Guaranteed Amount, the PAT shall be based on LYASB's audited Certified Accounts.

As security for the performance of the profit guarantee, the Vendor and the Purchaser agree that the Consideration Shares shall be placed with the Stakeholder.

In respect thereof, the Consideration Shares are proposed to be issued and allotted and held as security by the Stakeholder ("**Security Shares**") who is instructed and authorised to deal with the Security Shares in accordance with the profit guarantee mechanism stipulated below.

The salient features of the profit guarantee mechanism are as follows:

(i) The Vendor unconditionally and irrevocably guarantees that LYASB shall attain a minimum audited PAT of the Guaranteed Amount for each of the 12-month FPE under the Guaranteed Period. As security for the performance of the Guaranteed Amount and Guaranteed Target, the Consideration Shares shall be held by the Stakeholder and upon the Certified Accounts for the respective 12-month FPE made available, be released progressively to the Vendor.

(ii) At the end of Year 1:

(a) In the event the audited PAT achieved by LYASB is equivalent to or exceeds the Guaranteed Amount, the Stakeholder shall be authorised to release 3,486,590 Security Shares to the Vendor, within 14 days from the date the Certified Accounts is made available (Refer to Illustration Scenario I(A));

(b) In the event the audited PAT achieved by LYASB is lower than the Guaranteed Amount, the Stakeholder shall be authorised to release such number of Security Shares to the Vendor within 14 days from the date the Certified Accounts is made available, calculated based on the following formula (Refer to Illustration Scenario I(B)):

YEAR 1 FORMULA		
"A" /"B" × "C"		
whereby,		
A	=	audited PAT achieved
B	=	Guaranteed Amount
C	=	3,486,590 Security Shares

(c) In the event LYASB records an audited LAT, there will not be any release of Security Shares to the Vendor (Refer to Illustration Scenario II).

(d) The Vendor and the Purchaser agree that if LYASB registers a deficiency in the audited PAT (where the audited PAT achieved by LYASB is lower than the Guaranteed Amount) or in the event LYASB records an audited LAT - the difference between the Guaranteed Amount and the audited LAT recorded, such deficiency or difference as the case may be, shall be carried forward to Year 2 for the purpose of calculating the Guaranteed Amount to be achieved in Year 2 ("**Adjusted Guaranteed Amount**") (Refer to Illustration Scenario I(B)).

(iii) At the end of Year 2:

(a) In the event the audited PAT achieved by LYASB is equivalent to or exceeds the Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be, the Stakeholder shall be authorised to release 3,486,590 Security Shares to the Vendor, within 14 days from the date the Certified Accounts is made available (Refer to Illustration Scenario I(A)); and

(b) In the event the audited PAT achieved by LYASB is lower than the Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be, the Stakeholder shall be authorised to release such number of Security Shares to the Vendor, within 14 days from the date the Certified Accounts is made available, calculated based on the following formula (Refer to Illustration Scenario I(B)):

YEAR 2 FORMULA		
"A" /"B" × "C"		
whereby,		
A	=	audited PAT achieved
B	=	Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be
C	=	3,486,590 Security Shares

(c) In the event LYASB records an audited LAT, there will not be any release of Security Shares to the Vendor (Refer to Illustration Scenario II).

For clarification, in the event LYASB achieves a deficiency in the audited PAT (where the audited PAT achieved by LYASB is lower than the Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be) or in the event LYASB records an audited LAT, such deficiency is not carried forward to Year 3 for the purpose of calculating the Guaranteed Amount in Year 3. As set out in Section 2.3(iv) below, the basis of determining the numerator "A" is the cumulative audited profit or loss achieved by LYASB for Year 1, Year 2 and Year 3 and the denominator "B" is based on the Guaranteed Target.

(iv) At the end of Year 3:

(a) In the event LYASB achieves a cumulative audited PAT under the Guaranteed Period which is equivalent to or exceeds the Guaranteed Target, the Stakeholder shall be authorised to release the remaining Security Shares to the Vendor, within 14 days from the date the Certified Accounts is made available (Refer to Illustration Scenario I(A));

(b) In the event LYASB achieves a cumulative audited PAT under the Guaranteed Period which is lower than the Guaranteed Target, the Vendor shall compensate the Purchaser such sum equivalent to the deficiency, wherein the Stakeholder shall be authorised to offset the deficiency by disposing into the market, the Security Shares of equivalent value, not later than 14 business days from the date the Certified Accounts is made available. Upon the disposal of the Security Shares, the Stakeholder shall release the sale proceeds from the disposal to the Purchaser, and the balance Security Shares therefrom, if any, shall be released to the Vendor (Refer to Illustration Scenario III); and

(c) The maximum number of Security Shares to be released to the Vendor in Year 3 shall not be more than the remainder of the Security Shares held by the Stakeholder at the end of Year 3.

(d) For clarification, the formula as at Year 3 is as follows:

YEAR 3 FORMULA		
["A" /"B" × "C"] - "D"		
whereby,		
A	=	Cumulative audited PAT/LAT achieved for Year 1, Year 2 and Year 3
B	=	Guaranteed Target
C	=	10,459,770 Security Shares
D	=	Aggregate Security Shares released in Year 1 and Year 2

(v) For the avoidance of doubt:

(a) The minimum audited PAT of not less than the Guaranteed Amount is in respect of the audited PAT for 100% equity interest in LYASB;

(b) The number of Security Shares to be released by the Stakeholder for each of the 12-month FPE* under the Guaranteed Period shall be limited to a maximum number of 3,486,590 Security Shares notwithstanding the audited PAT achieved by LYASB for each of the 12-month FPE* is more than the Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be;
* Refers to Year 1 and Year 2

(c) If the deficiency shall be more than the value of the Security Shares i.e. LYASB shall have registered a cumulative audited LAT for the Guaranteed Period (e.g. Scenario II), it is agreed between the Purchaser and the Vendor that the Vendor shall not need to pay the Purchaser additional monies for the loss incurred. For clarification, in such an event, the Stakeholder shall act in accordance to the Purchaser's instruction including but not limited to sell or transfer the remaining Security Shares held by the Stakeholder and either by dealings at any broker's board or by public or private sale or in such manner as the Purchaser may deem fit and the Stakeholder shall release the sale proceeds to the Purchaser*; and

* In the event there is a deficiency between the cumulative audited profit or loss for the Guaranteed Period as at the end of Year 3 as compared to the sum of the audited PAT in Year 1 and Year 2, such that the value of the number of Security Shares released in Year 1 and Year 2 is more than the cumulative audited profit or loss for the Guaranteed Period as at the end of Year 3, ("**Differential Sum**"), it is agreed between the Purchaser and the Vendor that the Vendor shall not need to pay the Purchaser the Differential Sum, nor return the Security Shares released in respect of Year 1 and Year 2 amounting to the Differential Sum (Refer to Illustration Scenario IV).

(d) No additional Consideration Shares shall be issued by the Purchaser to the Vendor notwithstanding the cumulative audited PAT of LYASB for Year 1, Year 2 and Year 3 is more than the Guaranteed Target.

For illustration:

Scenario I(A) Vendor exceeds the Guaranteed Amount and Guaranteed Target

		No. Security Shares	
	Audited PAT achieved	Released to Vendor	Retained from Vendor
FPE 31 August 2024	RM5,000,000	3,486,590	-
FPE 31 August 2025	RM5,000,000	3,486,590	-
FPE 31 August 2026	RM5,000,000	3,486,590	-
Total	**RM15,000,000**	**10,459,770**	**-**

Scenario I(B) Vendor achieves audited PAT for the Guaranteed Period and exceeds the Guaranteed Target

		No. Security Shares	
	Audited PAT achieved	Released to Vendor	Retained from Vendor
FPE 31 August 2024	RM2,000,000	1,743,295[(a1)]	-
FPE 31 August 2025	RM2,000,000	1,162,197[(a2)]	-
FPE 31 August 2026	RM8,200,000	7,554,278[(a3)]	-
Total	**RM12,200,000**	**10,459,770**	**-**

Scenario II Vendor registers audited LAT and cumulative audited LAT for the Guaranteed Period

		No. Security Shares	
	Audited LAT achieved	Released to Vendor	Retained from Vendor
FPE 31 August 2024	(RM3,200,000)	-	3,486,590
FPE 31 August 2025	(RM1,000,000)	-	3,486,590
FPE 31 August 2026	(RM2,000,000)	-	3,486,590
Total	**(RM6,200,000)**	**-**	**10,459,770**

Scenario III	Vendor achieves Guaranteed Amount for Year 1 and Year 2 but does not achieve the Guaranteed Target		
		No. Security Shares	
	Audited PAT achieved	Released to Vendor	Retained from Vendor
FPE 31 August 2024	RM4,000,000	3,486,590	-
FPE 31 August 2025	RM5,000,000	3,486,590	-
FPE 31 August 2026	RM1,000,000	1,743,295[(a3)]	1,743,295
Total	**RM10,000,000**	**8,716,475**	**1,743,295[(c)]**

Scenario IV	Vendor receives Security Shares in Year 1 and Year 2, which is more than the Security Shares based on the cumulative audited PAT for the Guaranteed Period		
	Audited PAT/LAT achieved	No. Security Shares	
		Released to Vendor	Retained from Vendor
FPE 31 August 2024	RM5,200,000	3,486,590	-
FPE 31 August 2025	RM3,000,000	2,614,943	-
FPE 31 August 2026	(RM4,000,000)	-	4,358,237
Total	**RM4,200,000**	**6,101,533[(b)]**	**4,358,237[(c)]**

(a1) Calculated based on Year 1 formula

(a2) Calculated based on Year 2 formula. As audited PAT in Year 1 achieved is only RM2,000,000, RM2,000,000 (being the difference between the Guaranteed Amount and audited PAT achieve in Year 1) is carried forward into Year 2, in which the computation of the number of Security Shares released in Year 2 is computed as:

$$\frac{\text{RM2,000,000}}{\text{RM6,000,000}} \times \text{3,486,590 Security Shares} = \text{1,162,197 Security Shares}$$

(a3) Calculated based on Year 3 formula

(b) Total audited PAT achieved in Year 1 and Year 2 is RM8,200,000. However, the cumulative audited PAT achieved is only RM4,200,000. Hence, a deficiency of RM4,000,000 arising from an audited LAT recorded in Year 3.

A total of 6,101,533 Security Shares were released in Year 1 and Year 2, valued at RM5,308,334 (6,101,533 Security Shares X RM0.87), which is more than the cumulative audited PAT achieved of RM4,200,000. The Differential Sum is RM1,108,334 (i.e. RM5,308,334 - RM4,200,000).

The Vendor shall not need to pay the Purchaser the Differential Sum, nor return the Security Shares released in Year 1 and Year 2 amounting to the Differential Sum.

(c) Calculated as the difference between the total 10,459,770 Security Shares and total Security Shares released.

Reasonableness of the Guaranteed Amount

The Guaranteed Amount and Guaranteed Target was a commercial decision arrived at between Econframe and the Vendor.

The Guaranteed Amount was arrived at after taking into consideration, the following:

(a) the historical financial performance of LYASB as set out in **Appendix III** of this Circular;

(b) the continuation of the involvement of the existing management of LYASB in the day-to-day operations of LYASB; and

(c) the future prospects of enlarged Econframe Group after taking into consideration the potential growth of LYASB as set out in Sections 4.2 and 4.3 of this Circular.

Additionally, the Guaranteed Target is backed by collateral in the form of the Security Shares, which forms part of the LYASB Purchase Consideration. Furthermore, the value of the Security Shares of RM9.1 million (i.e. 10,459,770 x issue price of RM0.87 per Consideration Share) is sufficient to cover Econframe's 65% equity interest in the Guaranteed Target (i.e. 65% x RM12.0 million = RM7.8 million). The Security Shares will be held by the Stakeholder and will be released to the Vendor upon fulfilment of the Guaranteed Amount and/or Guaranteed Target.

The primary objective of Econframe in undertaking the Proposed Acquisition 1 is to acquire the expertise, business, assets and operations of LYASB as a fabricator and installer of aluminium glazing, glass products and facade works, comprising aluminium and glass doors, aluminium curtain walling systems, aluminium facades and cladding systems, aluminium sunscreens and aluminium louvres.

The Board takes note that although LYASB had recorded an audited LAT of RM3.01 million for the FYE 31 December 2022, LYASB has since secured 8 new contracts valued at a total of RM16.64 million since January 2023, which are expected to be completed over the next 2 to 3 years. The Board has further taken note that in the event the value of the number of Security Shares released in Year 1 and Year 2 is more than the Differential Sum, the Vendor shall not need to pay the Purchaser additional monies for the Differential Sum, nor return the Security Shares released in respect of Year 1 and Year 2 amounting to the Differential Sum. This is because, upon completion of the Proposed Acquisitions, Econframe will control 65% equity interest in LYASB with the ability to appoint directors and management and steer the business strategy as well as assert control over the direction and profitability of LYASB. With this in mind, the Board is of the view that the profit guarantee is reasonable and the management of Econframe is to a certain extent, responsible for the operations of LYASB. In addition, the Board takes note of the following:

- the number of Security Shares to be released by the Stakeholder for Year 1 and Year 2 under the Guaranteed Period shall be limited to a maximum number of 3,486,590 Security Shares notwithstanding the audited PAT achieved by LYASB is more than the Guaranteed Amount;
- no additional Consideration Shares shall be issued by the Purchaser to the Vendor notwithstanding the cumulative audited PAT of LYASB for Year 1, Year 2 and Year 3 is more than the Guaranteed Target; and
- the payment for the Consideration Shares is designed to be staggered over the Guaranteed Period, with the mechanism for the profit guarantee as an inducement to the Vendor to meet the profit criteria.

The Board after having considered the above, is of the view that the Guaranteed Amount and/or Guaranteed Target for the Guaranteed Period is reasonable and realistic.

2.4 Basis and justification on arriving at the Purchase Consideration

(i) TUSB Purchase Consideration

The TUSB Purchase Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the fair market valuation of the land appraised by Henry Butcher as at 16 January 2023, being the date of valuation. For information purpose, as the Proposed Acquisition 2 is for the acquisition of 100% equity interest in TUSB, which is the registered owner of a parcel of leasehold industrial land, the valuation does not include the value attributed by the Factory Complex erected on the land.

Only the comparison method of valuation was adopted by Henry Butcher to value the said land as Henry Butcher was of the opinion that the comparison method of valuation is the most appropriate method of valuation to assess a parcel of vacant industrial land and therefore, other methods of valuation were not suitable. Under the comparison method of valuation, the value of the land is determined by comparing it with recent sales and/or listings of similar properties in the vicinity. As no two properties are often identical, adjustments are then made for differences in factors such as location, physical characteristics and time element so as to arrive at a common basis for comparison.

The Independent Valuer is of the opinion that the market value of the said land in its existing condition, subject to the titles being free from all encumbrances and with vacant possession is RM1,000,000.

(ii) LYASB Purchase Consideration

The LYASB Purchase Consideration was arrived at on a willing-buyer willing-seller basis, after taking into account the following:

(a) the audited PAT of LYASB shall not be less than the Guaranteed Amount for each of the relevant 12-month FPE under the Guaranteed Period pursuant to the profit guarantee;

(b) implied P/E multiple of 6.62 times computed based on the Guaranteed Amount of RM4.0 million for the first 12-month FPE of the Guaranteed Period against 100% of the purchase consideration of LYASB;

(c) rationale and benefit for the Proposed Acquisitions as set out in Section 3 of this Circular; and

(d) future earnings potential and prospects of the enlarged Econframe Group post-Proposed Acquisitions as set out in Section 4.3 of this Circular.

The valuation of LYASB utilises the Relative Valuation Approach ("**RVA**") to assess the fairness of the LYASB Purchase Consideration which estimates valuation metrics of profitable public listed companies on Bursa Securities with principal activities that are considered broadly comparable to the business of LYASB. Due to the limited number of available listed companies on Bursa Securities with principal activities broadly comparable to the business of LYASB ("**Comparable Companies**"), the selection of the Comparable Companies is to provide an indicative current market expectation with regards to the implied value of LYASB and the value accorded by the market to similar companies.

The selection of the Comparable Companies is highly subjective and judgmental in view that the Comparable Companies may not be entirely comparable to LYASB due to various factors such as composition of business activities, scale of business operations, asset base, risk profile, profit track record and financial strength.

To this end, the following companies were selected as deemed to be comparable with LYASB:

Comparable Company	**Principal activities**
Ajiya Berhad ("**Ajiya**")	Ajiya is principally engaged in the manufacturing and trading of roofing materials, metal frame products, structural products and architectural products; manufacturing and trading of all kinds of safety glass and trading of building materials
Econframe Berhad ("**Econframe**")	Econframe is principally involved in the provision of total door system solution including manufacturing and sales of doors, metal door and window frames, fire resistant door sets and all types of hardware including ironmongery
PA Resources Berhad ("**PARB**")	PARB is principally an aluminium extruder producing semi-finished aluminium products

To assess the reasonableness of the LYASB Purchase Consideration, reference is made to the valuation statistics of these Comparable Companies. Only the P/E multiple metric which illustrates the ratio of the market value of a company's shares relative to its historical PAT was used to assess the LYASB Purchase Consideration. Other valuation metrics were not used because the Vendor had provided a profit guarantee of not less than the Guaranteed Amount for each of the 12-month FPE under the Guaranteed Period.

Other valuation approaches such as the revalued net asset value ("**RNAV**") was considered but was not used as the basis of valuation in view that the RNAV values a company based on the value of its assets, net of all liabilities at a specific point in time; more suitable for valuation of property development, property investment and heavy asset based companies and which may not accurately reflect the potential of LYASB as it does not take into consideration its future business operations and income stream.

The discounted cashflow valuation was also not used as the basis of valuation in view that discounted cashflow valuation is only reliable to the extent if the underlying business has revenue and earnings stream which can be consistently projected for long periods and may be more applicable to businesses which have long-term contracts or concessionaires.

Comparable Company	**Market capitalisation**[(a)]	**P/E times**
Ajiya	RM481.23 million	20.63
Econframe	RM308.86 million	27.47
PARB	RM492.87 million	9.77
	Median	**20.63**
	Average	**19.29**
	Minimum	**9.77**
	Maximum	**27.47**
	LYASB	6.62[(b)]

Notes:

(a) Computed based on the closing market prices as at the LTD. Market capitalisation is calculated based on number of shares in issue multiplied by the closing market price.

(b) Based on the value accorded to 100% equity interest in LYASB as implied by the LYASB Purchase Consideration over the Guaranteed Amount of RM4.0 million for the first 12-month FPE of the Guaranteed Period.

Based on the above, the implied P/E multiple of LYASB of 6.62 times is lower than the median, average and the lowest P/E multiple of the Comparable Companies. This means that the value as implied by the LYASB Purchase Consideration is favourable to Econframe from an earnings standpoint.

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

The issue price of RM0.87 per Consideration Share was determined on a willing-buyer, willing-seller basis after taking into account the historical closing share price performance of Econframe and the VWAMP of Econframe Shares for the 5-market days up to and including the LTD.

The issue price of RM0.87 per Consideration Share is a marginal discount of RM0.004 (0.46%) to the VWAMP for the 5-market days of Econframe Shares up to the LTD of RM0.8740.

The Board is of the view that the issue price for the Consideration Shares (which includes the discount of 0.46%) and issuance of the Consideration Shares to partly satisfy the LYASB Purchase Consideration is reasonable after taking into consideration the following:

(i) the profit guarantee provided by the Vendor and the rationale of the Proposed Acquisitions set out in Sections 2.3 and 3 of this Circular, respectively;

(ii) the Econframe Group would be able to conserve its cash for working capital purposes for its existing business and/or to pursue other business opportunities; and

(iii) the willingness of the Vendor to accept the Consideration Shares as part settlement of the Purchase Consideration instead of cash.

2.6 Ranking and listing of the Consideration Shares

The Consideration Shares will, upon issuance and allotment, rank equally in all respects with the existing Econframe Shares, save and except that the Consideration Shares will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which is made on or prior to the date of issuance and allotment of the Consideration Shares.

During the period the Security Shares are held by the Stakeholder, the Stakeholder is the registered owner of the Security Shares. Although the Vendor has beneficial ownership of the Security Shares, it does not have the right to exercise the voting rights of the Security Shares held by the Stakeholder until the Security Shares are released by the Stakeholder to the Vendor under the profit guarantee mechanism. The Vendor is also entitled to all dividends, rights, allotments or other distributions of the Security Shares, which may be declared, made or paid, and shall be released in proportion to the Security Shares releasable during the Guaranteed Period. Under the terms of the stakeholding, the Stakeholder shall abstain from exercising any voting and other consensual rights attached to the Security Shares and the voting rights of the Security Shares are suspended until the Security Shares are released by the Stakeholder to the Vendor.

For the avoidance of doubt, all dividends, rights, allotments or other distributions of the Security Shares, which may be declared, made or paid, shall be released together with the Security Shares[(1)].

Note:

(1) In the event the Security Shares are sold in the open market to make good the shortfall in the Guaranteed Target, all dividends, rights, allotments or other distributions of such Security Shares will be released to the Purchaser along with the sale proceeds.

2.7 Background information on LYASB

LYASB was incorporated in Malaysia on 29 April 1995 under the Companies Act 1965 as a private limited company. LYASB is principally involved in the fabrication and installation of aluminium glazing, glass products and facade works comprising aluminium windows and glass doors, aluminium curtain walling systems, aluminium facades and cladding systems, aluminium sunscreens and aluminium louvres, for residential and commercial buildings.

As at the LPD, the issued share capital of LYASB is RM750,000 comprising 750,000 LYASB Shares.

Please refer to **Appendix III** of this Circular for further information on LYASB.

2.8 Background information on TUSB

TUSB was incorporated in Malaysia on 30 April 1994 under the Companies Act 1965 as a private limited company. The principal activity of TUSB is rental of property.

It is the registered proprietor of the parcel of leasehold industrial land located at Lot 3121, PT 1422, Jalan 20, Kawasan Perindustrian Pengkalan Chepa II, 16100 Kemumin, Kelantan. The said land is rented to LYASB, on which the Factory Complex and business of LYASB operates from.

As at the LPD, the issued share capital of TUSB is RM29,184 comprising 29,184 TUSB Shares.

Please refer to **Appendix IV** of this Circular for further information on TUSB.

2.8.1 Information on the parcel of leasehold industrial land owned by TUSB

The land is a parcel of leasehold industrial land with a registered area of 3,189 square metres (approximately 34,326 square feet) identified as Lot 3121, located in an established industrial area known as Pengkalan Chepa Industrial Area, Phase 2, and sited approximately 10 kilometres to the north-east of Kota Bharu town centre. The Sultan Ismail Petra Airport is approximately 2 kilometres from the land.

Access to the land is via several routes, Jalan Kota Bahru/Pengkalan Chepa/Padang Tembak, Jalan Kota Bahru/Panji/ Padang Tembak or Jalan Kota Bahru/Kubang Kerian/Kemumin/Padang Tembak. Further details of the land is as follows:

Registered owner	:	TUSB
Postal address	:	Lot 3121, PT 1422, Jalan 20, Kawasan Perindustrian Pengkalan Chepa II, 16100 Kemumin, Kelantan
Title details	:	PN 6354, Lot 3121, Mukim of Kemumin, District of Jajahan Kota Bharu, State of Kelantan
Land area	:	3,189 square metres
Tenure	:	Leasehold for a term of 66 years, expiring on 22 May 2065 (unexpired term of approximately 42 years)
Category of land use	:	Industrial *(Perusahaan/Perindustrian)*

Reserve area	:	Malay reservation land *(Tanah Rizab Melayu)*[1]
Express conditions	:	The factory site and related buildings are to be according to the plan and type approved by the local authority
Restrictions-in-interest	:	The land held with this title cannot be transferred, mortgaged, leased or made with any arrangement without first obtaining the written permission from the State Authority. The land held with this title cannot be demarcated, subdivided or amalgamated without first obtaining the written permission from the State Authority. [The] restriction is excluded for the purpose of mortgage of this land to a bank or Financial Institution listed in Schedule D of the Kelantan Malay Reservation Enactment 1930 and Schedule 26A of the Kelantan Land Enactment 1938 to enable landlords to obtain their own loans
Encumbrances	:	Charged to Public Islamic Bank Berhad vide Presentation No. 5317/2014 registered on 25 November 2014 as collateral for loan secured by LYASB[2]
Existing use & description of building[2]	:	Parcel of land with a 3-storey office building, single storey factory building and guard house erected thereon. The land is occupied and rented to LYASB for a rental rate of RM30,000 per annum
Occupancy rate	:	100%
Audited net book value	:	RM111,222 as at 30 June 2022
Market value	:	RM1,000,000[3]

Notes:

(1) On 17 March 2013, the State Authority of Kelantan approved the transfer of the parcel of leasehold industrial land from the Kelantan State Economic Development Corporation to TUSB. The transfer of the land was successfully registered in the name of TUSB on 24 July 2013 vide presentation no. 3068/2013*.

* Although in essence where a land has been declared as Malay Reserve Land, it shall not be alienated, transferred, charged, leased or otherwise disposed to any person not being a Malay; otherwise it would be rendered null and void. However, there are exceptions whereby a non-Malay can own a Malay Reserve Land. Section 13A of the Kelantan Malay Reservation Enactment, 1930 (Enactment 18) provides that the Ruler-in-Council may approve alienation or transfer of lands included in a Malay Reservation to any person not being a Malay.

(2) The land is presently charged by way of third-party charge, which loan was utilised as working capital for LYASB. Econframe and the Vendor have agreed that the loan shall not be repaid prior to the completion of the Proposed Acquisition 2.

(3) TUSB is the registered owner of the parcel of leasehold industrial land. Erected on the land is the Factory Complex owned by LYASB. The Factory Complex which has a built up area of 29,962 square feet is approximately 8 years of age. As the Proposed Acquisition 2 is for the acquisition of the TUSB Sale Shares, in which TUSB owns only the land, the market value appraised by the Independent Valuer refers only to the market value of the land. No valuation was undertaken for the buildings erected on the land.

Please refer to **Appendix V** of this Circular for the valuation certificate issued by the Independent Valuer.

2.9 Liabilities to be assumed by Econframe

Save for all the liabilities arising from or in connection with the SSAs, Econframe will not assume any liabilities, contingent liabilities and/or guarantees pursuant to the Proposed Acquisitions. The existing liabilities of LYASB will be settled by LYASB in the ordinary course of business.

However, upon the completion of the Proposed Acquisitions and the transfer of the Sale Shares, Econframe may be required to provide corporate guarantees to LYASB and/or its subsidiary, in place of the Vendor to secure credit facilities granted to LYASB and/or its subsidiary.

2.10 Additional financial commitment

The Board does not foresee any material financial commitment required to put LYASB's business on-stream following the completion of Proposed Acquisition 1 as LYASB is already an on-going business. The Board also does not foresee any material financial commitment required to put TUSB's business on-stream as the business of TUSB is only the rental of the parcel of land to LYASB.

2.11 Background information on the Vendor

The Vendor of LYASB and TUSB is Yong Kuen Hwan, a Malaysian, aged 60. The Vendor is the sole director and shareholder of LYASB and TUSB. Upon completion of the Proposed Acquisition 1, Econframe will be a 65% shareholder of LYASB and the Vendor will be the remaining 35% shareholder of LYASB. In this respect, Econframe will appoint representatives to the board of directors of LYASB.

Yong Kuen Hwan has over 35 years of experience in the fabrication and installation of aluminium related peripherals/equipment. Upon graduating from the Federal Institute of Technology in 1981, Yong Kuen Hwan commenced his career in a small fabrication company, as an apprentice in aluminium glazing works. In 1984, he left the company to set up a partnership, Lee Yong Aluminium Works, with his partner, Lee Keh Wei, to supply and install aluminium related peripherals/equipment.

On July 1986, he acquired the ownership of his partner's portion of the partnership and became the sole proprietor of Lee Yong Aluminium Works. He subsequently incorporated LYASB on 29 April 1995 as a private limited company and the business of Lee Yong Aluminium Works was transferred to LYASB. He is currently the Managing Director of LYASB and TUSB. Yong Kuen Hwan will continue as Managing Director of LYASB following the completion of the Proposed Acquisition 1.

3. RATIONALE AND BENEFIT OF THE PROPOSED ACQUISITIONS

3.1 Proposed Acquisition 1

The Econframe Group is principally involved in the provision of total door system solution for property development. Econframe proposes to acquire LYASB which is in a complementary business to Econframe. The Proposed Acquisition 1 will enable the Econframe Group to expand its existing business operations into the business of aluminium glazing, glass products and facade systems. The Proposed Acquisition 1 represents a synergistic investment and is undertaken in-line with the Econframe Group's plan to grow its total door system solution business through the following complementary synergies:

(i) Econframe currently offers metal door frames and metal window frames, fire resistant door sets, wooden doors and ironmongeries whilst LYASB's capabilities are in offering a wide range of aluminium and glass doors; aluminium curtain walling systems; aluminium facades and cladding systems; aluminium sunscreens and aluminium louvres. Econframe and LYASB will be able to capitalise on their respective expertise and offer customers a more extensive product offering;

(ii) Econframe serves customers mainly in the west coast of Peninsular Malaysia. LYASB has strong presence in Kelantan, with a fabrication facility in Kota Bharu and principal customers in government agencies. The Proposed Acquisition 1 enables the Econframe Group to gain a foothold in the east coast of Peninsular Malaysia; and

(iii) Cross-selling of products to existing and new customers of Econframe and LYASB, respectively.

The Proposed Acquisition 1 is expected to be earnings accretive, details of which are set out in Section 6.3 of this Circular. Premised on the foregoing and barring any unforeseen circumstances, the Proposed Acquisition 1 is expected to contribute positively to the Econframe Group in the future, thus enhancing Econframe's shareholders' value.

The issuance of the Consideration Shares to partly satisfy the LYASB Purchase Consideration will enable Econframe to conserve cash which can be used as working capital; and channel it towards financing its day-to-day operations and/or pursue other business opportunities. In addition, the issuance of the Consideration Shares will strengthen the Econframe Group's capital base to commensurate with its enlarged business activities.

Premised on the above and after taking into consideration the historical financial performance of LYASB, and future prospects as set out in Section 4.3 of this Circular, the Board is of the view that the Proposed Acquisition 1 will contribute positively to the Econframe Group's financial performance in the future.

3.2 Proposed Acquisition 2

The Proposed Acquisition 2 is undertaken to allow Econframe to acquire the land on which LYASB's operations is situated upon. Upon completion of the Proposed Acquisitions, Econframe has control over the business and the assets of LYASB (which includes the said land).

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview of the Malaysian economy

The Malaysian economy registered a growth of 7.1% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6%. For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%).

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (3Q 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities.
The manufacturing sector grew by 3.9% (3Q 2022: 13.2%) in the fourth quarter of 2022. Despite experiencing slower global semiconductor sales, the electrical & electronic cluster remained in expansion amid fulfilment of existing backlog in orders. Meanwhile, the primary

segment continued to grow driven by higher output at a major oil refinery in Johor which resumed operations in the previous quarter. Sustained production in the consumer segment was driven by the food and beverage segment ahead of the festive season, as well as the motor vehicle and transport equipment segment to meet backlog in orders.

The construction sector expanded by 10.1% (3Q 2022: 15.3%) in the fourth quarter of 2022. Of significance, civil engineering and non-residential subsectors were lifted by continued progress of large infrastructure, commercial and industrial projects.

The mining sector expanded by 6.8% (3Q 2022: 9.2%) in the fourth quarter of 2022, attributable to sustained improvements in crude oil and natural gas production. The agriculture sector grew by 1.1% (3Q 2022: 1.2%) underpinned by growth in oil palm output, as yields benefitted from higher rainfall earlier in 2022 amid easing labour shortages.

The Malaysian economy further expanded by 5.6% in the first quarter of 2023 (4Q 2022: 7.1%; 1Q 2011 - 4Q 2019 average: 5.1%) driven mainly by domestic demand. Further improvements in the labour market, with strong growth in employment and continued expansion in wages, have supported private consumption spending. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9%.

For 2023, the Malaysian economy is expected to continue to expand amid slower external demand. Growth in 2023 will be driven by domestic demand. Household spending remains resilient, underpinned by better labour market conditions as unemployment continues to decline to pre-pandemic levels. The slowdown in exports following weaker global demand is expected to be partially cushioned by higher tourism activity arising from the pickup in tourist arrivals. Meanwhile, capacity expansion and progress of multi-year infrastructure projects will support investment activity. On the supply side, the services and manufacturing sectors will continue to drive growth. Domestic financial conditions remain conducive to financial intermediation, with no signs of excessive tightening affecting consumption and investment activities. Risks to the domestic growth outlook are relatively balanced. Upside risks mainly emanate from domestic factors such as stronger-than-expected tourism activity and implementation of projects including those from the re-tabled Budget 2023, while downside risks stem from weaker-than-expected global growth and more volatile global financial market conditions.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2022 and First Quarter of 2023)

According to Malaysia's Economic Outlook 2023 report, the economy is expected to grow moderately between 4% and 5% in 2023. The services sector is expected to be the main contributor for 2023 growth, which is anticipated to grow 5%, followed by the construction sector (4.7%), manufacturing (3.9%), agriculture (2.3%) and mining (1.1%).

(Source: https://www.mof.gov.my/portal/en/news/press-citations/malaysia-s-gdp-expected-to-grow-4-5-pct-in-2023-2022-s-revised-upwards-mof)

4.2 Overview of the metal door frame and door industry in Malaysia

The metal door frame and door industry size in Malaysia comprises metal door frames, fire resistant door sets, doors (i.e. wooden and metal) and ironmongery which form complete sets of door system. On the other hand, a building façade is generally the exterior wall located at the front of a building that faces a public area. Building façades typically serves as decorative architectural features and are designed to elevate the aesthetics of the building. Building façades are commonly fabricated using metals such as aluminium, steel and titanium, as well as non-metals such as brick, glass and stone. Buildings that typically incorporate building façades in its exterior wall designs are commercial building developments such as shopping complexes and purpose-built offices. They may also be used in residential building developments such as condominiums and serviced apartments.

From 2019 to 2021, total value of construction work done for buildings in Malaysia declined from RM73.31 billion to RM58.23 billion at a compound annual growth rate ("**CAGR**") of -10.88%. In line with the abovesaid decline, the metal door frame and door industry size also declined from RM1.82 billion to RM1.38 billion at a CAGR of -12.92%. The nationwide lockdown and movement restriction measures imposed by the Government of Malaysia to contain the spread of Covid-19, resulted in the temporary halt of construction activities, including the construction of buildings, except those listed under critical services (i.e. maintenance and repair works). This, in turn affected the demand for metal door frames, fire resistant door sets, doors and ironmongery.

With the rollout of the Covid-19 vaccination in 2021, construction activities gradually resumed. As a result, from 2021 to 2022, the total value of construction work done for buildings grew from RM58.23 billion to RM65.04 billion on a year-on-year ("**YOY**") rate of 11.70%, demonstrating a recovery in the construction sector. From 2021 to 2022, the metal door frame and door industry size grew in tandem from RM1.38 billion to RM1.50 billion on a YOY rate of 8.70%.

Smith Zander estimates that the metal door frame and door industry size in Malaysia is expected to register a YOY growth of 7.33% from RM1.50 billion in 2022 to RM1.61 billion in 2023.

The metal door frame and door industry is expected to continue to be driven by the demand for properties in Malaysia. Similarly, as building façades are typically used in commercial and residential buildings, their demand is expected to continue to be driven by the construction of residential and non-residential buildings. As such, the demand for building façades is expected to grow in tandem with the total value of construction work done for buildings, which in turn, is expected to be driven by the demand for properties. From 2018 to 2022, the volume of property transactions for residential, commercial and industrial properties in Malaysia increased from 227,353 units to 284,081 units at a CAGR of 5.73%. To stimulate the property market, in July 2022, the Government introduced the Keluarga Malaysia Home Ownership Initiative ("**i-MILIKI**"), effective between 1 June 2022 and 31 December 2023, wherein, full and 50% stamp duty exemptions are granted on the instruments of transfer and instrument of securing loans for residential properties purchased by first-time homeowners at prices between RM500,000 and below, and between RM500,000 and RM1,000,000, respectively. In addition, under Budget 2023, the Government will continue to exempt stamp duty for first-time homeowners where full stamp duty exemptions will be granted for homes valued at RM500,000 and below until the end of 2025, whereas 75% stamp duty exemptions will be granted for homes valued at more than RM500,000 and up to RM1,000,000 until 31 December 2023.

(Source: Independent Market Research Report on the Metal Door Frame and Door Industry in Malaysia by Smith Zander)

4.3 Overview, prospects and future plans of the enlarged Group

The Proposed Acquisitions collectively represent a synergistic investment for the Econframe Group to enhance its competitiveness in the offering of total door system solution business. Upon completion of the Proposed Acquisitions, the enlarged Econframe Group will principally be involved in a more comprehensive range of door and window offerings and LYASB will form part and parcel of the core business of the Econframe Group.

In light of the recovering property market and construction industry, it is expected that the metal door frame and door industry will continue to be driven by the demand for properties in Malaysia. In this respect, the Proposed Acquisitions will also offer opportunities to the Econframe Group for further expansion, as well as benefits from complementary synergies, such as cross-selling of products to existing and new customers of Econframe and LYASB, and complementary footprints of Econframe's and LYASB's geographical presence and market coverage in the domestic market.

The abovementioned plans will take effect upon completion of the Proposed Acquisitions and do not require additional committed financial resources. However, depending on the pace of expansion of the enlarged Econframe Group post-Proposed Acquisitions, Econframe may be required to provide corporate guarantees to LYASB to secure credit facilities granted to LYASB.

Premised on the rationale for the Proposed Acquisitions, and the future plans of LYASB, the Board is of the view that future prospects of the enlarged Econframe Group is favourable and the Proposed Acquisitions are expected to be earnings accretive.

(Source: Management of Econframe)

5. RISK FACTORS

The Proposed Acquisitions will not materially change the risk profile of Econframe as LYASB operates in the same industry segment as Econframe. The enlarged Econframe Group will be exposed to similar risks inherent in the industry upon the completion of the Proposed Acquisitions. In addition, there are certain risks specifically associated with the Proposed Acquisitions, as follows:

(i) Non-completion of the Proposed Acquisitions

The completion of the Proposed Acquisitions is subject to, among others, the fulfilment of the conditions precedent stipulated in the SSAs set out in Appendices I and II of this Circular, some of which are beyond the control of the Company. The Proposed Acquisitions may not be completed if any of the conditions precedent cannot be fulfilled and/or waived, as the case may be, within the stipulated timeframe.

To mitigate such risk, the Company will take all reasonable steps and effort to fulfil or if necessary, waive (to the extent permissible under the laws of Malaysia) the conditions precedent in the SSAs in order to complete the Proposed Acquisitions in a timely manner. Nevertheless, the Vendor and Econframe anticipate that this risk can be mitigated by proactively engaging with the relevant authorities to obtain all the necessary documents required for the completion of the Proposed Acquisitions within the timeframe stipulated in the SSAs. However, should there be any delay beyond the agreed timeframe, the Board shall endeavour to negotiate to mutually extend the timeframe prior to its expiry.

(ii) Non-fulfilment of the profit guarantee

The profit guarantee is based on various bases and assumptions which are deemed reasonable, but nevertheless subject to certain uncertainties and contingencies, which may be outside LYASB's control. While the Board has taken reasonable steps to assess the achievability of the profit guarantee which includes assessing LYASB's past financial performance as well as the prospects and future plans of the enlarged Econframe Group as set out in Section 4 of this Circular, there can be no assurance that the profit guarantee will be met.

To mitigate the risk of not fulfilling the profit guarantee, the value of the Security Shares of RM9.1 million (i.e. 10,459,770 x issue price of RM0.87 per Consideration Share) which is sufficient to cover Econframe's 65% equity interest of 65% in the Guaranteed Target (i.e. 65% x RM12.0 million) shall be placed with the Stakeholder and will only be released progressively to the Vendor based on the audited PAT of LYASB for the respective 12-month FPE financial periods over the Guaranteed Period. If LYASB registers a cumulative audited PAT for the Guaranteed Period which is less than the Guaranteed Target, the Stakeholder shall be authorised to offset the deficiency by disposing into the market, the equivalent value of the Security Shares, not later than 14 days from the date the Certified Accounts of LYASB for Year 3 is made available, and thereafter, the balance Security Shares, if any, shall be released to the Vendor.

Notwithstanding the above, in the event LYASB records a deficiency which is more than the value of the Security Shares i.e. LYASB shall have suffered losses for the Guaranteed Period, it is agreed between the parties that the Vendor shall not need to pay Econframe additional monies for the loss incurred. In addition, if there is a deficiency between the cumulative audited profit or loss for the Guaranteed Period as at the end of Year 3 as compared to the sum of the audited PAT in Year 1 and Year 2, such that the value of the number of Security Shares released in Year 1 and Year 2 is more than the cumulative audited profit or loss for the Guaranteed Period as at the end of Year 3, ("**Differential Sum**"), it is agreed between the parties that the Vendor shall not need to pay the Purchaser the Differential Sum, nor return the Security Shares released in respect of Year 1 and Year 2 amounting to the Differential Sum.

(iii) Investment and integration risk

Although the Proposed Acquisitions collectively is expected to contribute positively to the earnings of the Econframe Group, there is no guarantee that the anticipated benefits from the Proposed Acquisitions will be realised or that the Econframe Group would be able to generate sufficient returns from LYASB.

There is also no guarantee of the successful integration of the business of the Econframe Group with LYASB arising from the Proposed Acquisitions as well as the realisation of the expected business synergies from the Proposed Acquisitions.

The management of Econframe, together with the management of LYASB will oversee the integration process, daily operations and be involved in the decision making of strategic matters of LYASB.

(iv) Impairment risk

Econframe will recognise goodwill arising from Proposed Acquisition 1, the amount of which will depend on the fair value of the assets and liabilities acquired as at the completion date of the SSA 1. Any fair value adjustments allocated to the identifiable assets and liabilities, and the effect of amortisations of the fair value adjustments, if any, from the Proposed Acquisition 1 may materially and adversely affect the enlarged Econframe Group's financial position.

Econframe will mitigate the abovementioned risks by closely monitoring the financial performance of LYASB and implement appropriate strategies towards the achievement of the financial targets for LYASB.

(v) Dependence on key personnel of LYASB

The business of LYASB is dependent to a certain extent on the key personnel managing the operations of the business. The loss of key personnel without suitable and timely replacement and the inability to attract or retain qualified and suitable personnel may have an unfavourable and material impact on the performance of the enlarged Econframe Group.

The Board intends to retain the employees of LYASB to ensure that there is continuity in the management of LYASB and that there is no disruption to the day-to-day operations and business. In addition, the Vendor will continue to remain as Managing Director of LYASB and as a shareholder of Econframe following the completion of the Proposed Acquisitions, the Vendor will have reasonably vested interest to ensure the success of LYASB's business moving forward. Notwithstanding the above, the management of Econframe will adopt appropriate approaches including reviewing the remuneration and incentives packages as well as providing a good working environment and programmes on succession planning to retain the key personnel with LYASB.

6. EFFECTS OF THE PROPOSED ACQUISIIONS

Throughout this Circular the effects of the Proposed Acquisitions are illustrated assuming the following:

Minimum Scenario	:	Assuming none of the outstanding 148,080,348 Warrants are exercised into new Econframe Shares prior to the implementation of the Proposed Acquisitions
Maximum Scenario	:	Assuming all the outstanding 148,080,348 Warrants are exercised into new Econframe Shares prior to the implementation of the Proposed Acquisitions

6.1 Share capital

The Proposed Acquisition 2 will not have any effect to the share capital of Econframe as the Proposed Acquisition 2 does not involve any issuance of new Econframe Shares.

For illustrative purposes, the pro forma effects of Proposed Acquisition 1 on the issued share capital of Econframe is as follows:

Minimum Scenario	**No. of Shares**	**RM**
Issued share capital as at the LPD	339,419,650	49,386,335
To be issued pursuant to Proposed Acquisition 1	10,459,770	9,100,000
Enlarged issued share capital	**349,879,420**	**58,486,335**
Maximum Scenario		
Issued share capital as at the LPD	339,419,650	49,386,335
To be issued assuming full exercise of Warrants	148,080,348	62,193,746[(1)]
	487,499,998	111,580,081
To be issued pursuant to Proposed Acquisition 1	10,459,770	9,100,000
Enlarged issued share capital	**497,959,768**	**120,680,081**

Note:

(1) Based on the exercise price of RM0.42 per Warrant.

6.2 NA, NA per share and gearing

For illustration purposes only, based on the latest audited consolidated financial results of Econframe for the FYE 31 August 2022, the pro forma effects of the Proposed Acquisitions on the consolidated NA and gearing of Econframe are shown below:

Minimum Scenario	**Audited as at 31 August 2022**	**After subsequent event[(1)]**	**After Proposed Acquisition 1**	**After the Proposed Acquisitions**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share capital	43,330	49,386	58,486	58,486
Revaluation reserve	4,355	4,355	4,355	4,355
Reorganisation reserve	(25,825)	(25,825)	(25,825)	(25,825)
Retained earnings	41,678	41,678	41,178[(2)]	41,178
Equity attributable to owners' of the Company	**63,538**	**69,594**	**78,194**	**78,194**
No. of Shares ('000)	325,000	339,420	349,879	349,879
NA per Share (RM)	0.196	0.205	0.223	0.223
Borrowings (RM'000)	517	517	8,240[(3)]	8,240
Gearing (times)	0.01	0.01	0.11	0.11

Notes:

(1) Between 1 September 2022 and up to the LPD, 14,419,650 Warrants were exercised into new Econframe Shares at the exercise price of RM0.42 per Warrant.

(2) After incorporating the estimated expenses relating to the Proposed Acquisitions of approximately RM0.50 million (excluding stamp duty) which will be funded via internally generated funds. The breakdown of estimated expenses is as follows:

	RM'000
Professional fees	350
Fees to authorities	24
Miscellaneous fees (e.g. printing, meeting fees, advertisement)	126
	500

Proposed Acquisition 1 and Proposed Acquisition 2 will be completed simultaneously.

(3) After incorporating the impact of LYASB's net borrowings with Econframe upon completion of the Proposed Acquisitions. LYASB's borrowings as at 31 December 2022 was RM10.097 million and LYASB's net borrowings is determined after taking into consideration the proposed repayment by the Vendor of LYASB's term loans amounting to RM2.374 million pursuant to the terms of the SSA 1.

Maximum Scenario

	Audited as at 31 August 2022	After subsequent event(1)	Assuming after full exercise of Warrants	After Proposed Acquisition 1	After the Proposed Acquisitions
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	43,330	49,386	111,580	120,680	120,680
Revaluation reserve	4,355	4,355	4,355	4,355	4,355
Reorganisation reserve	(25,825)	(25,825)	(25,825)	(25,825)	(25,825)
Retained earnings	41,678	41,678	41,678	41,178(2)	41,178
Equity attributable to owners' of the Company	**63,538**	**69,594**	**131,788**	**140,388**	**140,388**
No. of Shares ('000)	325,000	339,420	487,500	497,960	497,960
NA per Share (RM)	0.196	0.205	0.270	0.282	0.282
Borrowings (RM'000)	517	517	517	8,240(3)	8,240
Gearing (times)	0.008	0.007	0.004	0.059	0.059

Notes:

(1) Between 1 September 2022 and up to the LPD, 14,419,650 Warrants were exercised into new Econframe Shares at the exercise price of RM0.42 per Warrant.

(2) After incorporating the estimated expenses relating to the Proposed Acquisitions of approximately RM0.50 million (excluding stamp duty) which will be funded via internally generated funds. Proposed Acquisition 1 and Proposed Acquisition 2 will be completed simultaneously.

(3) After incorporating the impact of LYASB's net borrowings with Econframe upon completion of the Proposed Acquisitions. LYASB's borrowings as at 31 December 2022 was RM10.097 million and LYASB's net borrowings is determined after taking into consideration the proposed repayment by the Vendor of LYASB's term loans amounting to RM2.374 million pursuant to the terms of the SSA 1.

6.3 Earnings and EPS

The actual impact of the Proposed Acquisitions on the consolidated earnings and EPS of Econframe moving forward will depend on, among others, the market conditions and the successful integration of the operations of LYASB into Econframe. Nevertheless, the Proposed Acquisitions are expected to be earnings accretive and contribute positively to the future earnings of the Econframe Group upon their completion.

The Proposed Acquisition 2 will not have any effect to the earnings and EPS of Econframe as the rental received from LYASB is eliminated upon consolidation. For illustration purposes only, based on the latest audited consolidated financial statements of Econframe for the FYE 31 August 2022, the pro forma effects of Proposed Acquisition 1 on the earnings and EPS of the Econframe Group, assuming the Proposed Acquisition 1 was completed at the beginning of the financial year, is as follows:

	Audited as at 31 August 2022	**After Proposed Acquisition 1**
	RM'000	**RM'000**
Profit attributable to the owners of the Company	11,239	11,239
Add: Contribution from Proposed Acquisition 1[(1)]	-	2,600
Less: Estimated expenses for the Proposed Acquisitions	-	(500)
Pro forma profit attributable to the owners of the Company	**11,239**	**13,339**
Number of shares in issue ('000)	325,000	339,420[(2)]
EPS (sen)	3.46	3.93[(2)]
Fully diluted EPS (sen)	3.46	2.68[(3)]

Notes:

(1) Based on 65% equity interest of the Guaranteed Amount of RM4,000,000 for the first 12-month FPE of the Guaranteed Period.

(2) EPS is calculated based on 339,419,650 Shares after the exercise of 14,419,650 Warrants into new Shares between 1 September 2022 and up to the LPD and the issuance of the Consideration Shares.

(3) EPS is calculated based on 497,959,768 Shares after assuming all outstanding 148,080,348 Warrants are exercised into new Shares prior to the implementation of the Proposed Acquisition 1 and the issuance of the Consideration Shares.

6.4 Convertible securities

The Proposed Acquisitions will not have any effect on the convertible securities in issue. As such, no adjustments are required to be made to the number of outstanding Warrants or its exercise price.

6.5 Substantial shareholders' shareholdings

The Proposed Acquisition 2 will not have any effect on the substantial shareholders' shareholdings as it does not involve the issuance of new Econframe Shares.

For illustrative purposes, based on the Register of Substantial Shareholders, the pro forma effects of the Proposed Acquisition 1 on the substantial shareholders' shareholdings in Econframe are as follows:

Minimum Scenario	**As at the LPD**				**After Proposed Acquisition 1**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Substantial shareholder	**No. of Shares**		**No. of Shares**		**No. of Shares**		**No. of Shares**	
	'000	**%[1]**	**'000**	**%[1]**	**'000**	**%[2]**	**'000**	**%[2]**
Lim Chin Horng	26,786	7.9	-	-	26,786	7.7	-	-
Lim Saw Nee	66,649	19.6	-	-	66,649	19.0	-	-
Dato' Hooi Jia Hao	34,469	10.2	2,090[3]	0.6	34,469	9.9	2,090[3]	0.6
Perintis Amanah Berhad (*formerly known as Infinity Trustee Berhad*)	27,000	8.0	-	-	27,000	7.7	-	-
Dato' Ng Wei Yee	21,674	6.4	2,090[3]	0.6	21,674	6.2	2,090[3]	0.6
Vendor	-	-	-	-	10,460	3.0	-	-

Notes:

(1) Based on 339,419,650 Shares in issue as at the LPD.

(2) Based on 349,879,420 Shares after incorporating the Consideration Shares to be issued pursuant to Proposed Acquisition 1.

(3) Deemed interested by virtue of his interest in SK Grand Group Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

Maximum Scenario	As at the LPD				Assuming after full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
Substantial shareholder	No. of Shares		No. of Shares		No. of Shares		No. of Shares	
	'000	%[1]	'000	%[1]	'000	%[2]	'000	%[2]
Lim Chin Horng	26,786	7.9	-	-	40,178[4]	8.2	-	-
Lim Saw Nee	66,649	19.6	-	-	86,659[4]	17.8	-	-
Dato' Hooi Jia Hao	34,469	10.2	2,090[3]	0.6	51,334[4]	10.5	3,159[3]	0.6
Perintis Amanah Berhad (*formerly known as Infinity Trustee Berhad*)	27,000	8.0	-	-	40,500[4]	8.3	-	-
Dato' Ng Wei Yee	21,674	6.4	2,090[3]	0.6	30,919[4]	6.3	3,159[3]	0.6
Vendor	-	-	-	-	-	-	-	-

	After Proposed Acquisition 1			
	Direct		Indirect	
Substantial shareholder	No. of Shares		No. of Shares	
	'000	%[5]	'000	%[5]
Lim Chin Horng	40,178	8.1	-	-
Lim Saw Nee	86,659	17.4	-	-
Dato' Hooi Jia Hao	51,334	10.3	3,159[3]	0.6
Perintis Amanah Berhad (*formerly known as Infinity Trustee Berhad*)	40,500	8.1	-	-
Dato' Ng Wei Yee	30,919	6.2	3,159[3]	0.6
Vendor	10,460	2.10	-	-

Notes:

(1) Based on 339,419,650 Shares in issue as at the LPD.

(2) Based on 487,499,998 Shares assuming after the full exercise of the Warrants into Shares.

(3) Deemed interested by virtue of his interest in SK Grand Group Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(4) Lim Chin Horng holds 13,392,823 Warrants; Lim Saw Nee holds 20,009,694 Warrants; Dato' Hooi Jia Hao holds 16,864,700 Warrants; Perintis Amanah Berhad (*formerly known as Infinity Trustee Berhad*) holds 13,500,000 Warrants; Dato' Ng Wei Yee holds 9,244,700 Warrants; and SK Grand Group Sdn Bhd holds 1,068,900 Warrants.

(5) Based on 497,959,768 Shares after incorporating the Consideration Shares to be issued pursuant to Proposed Acquisition 1.

7. HISTORICAL SHARE PRICE PERFORMANCE

The monthly highest and lowest market prices of Econframe Shares traded on Bursa Securities for the past 12 months are as follows:

	High	Low
	RM	RM
2022		
June	0.500	0.450
July	0.590	0.450
August	0.570	0.475
September	0.685	0.515
October	0.730	0.615
November	0.810	0.620
December	1.110	0.800
2023		
January	1.080	0.800
February	1.050	0.915
March	1.070	0.880
April	0.970	0.915
May	0.950	0.885

Last transacted market price on 16 January 2023 (being the date immediately prior to the announcement of the Proposed Acquisitions)	1.04
Last transacted market price on the LPD	0.88

(Source: M&A Securities Sdn Bhd)

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Acquisitions are subject to approvals being obtained from:

(i) Bursa Securities, for the listing of and quotation for the Consideration Shares, which, approval was obtained on 9 June 2023, subject to the conditions set out in Section 1 of this Circular;

(ii) shareholders of Econframe for the Proposed Acquisitions at the forthcoming EGM to be convened(1);

(iii) State Authority of Kelantan for the transfer of the TUSB Sale Shares in respect of the Proposed Acquisition 2(2) wherein Pejabat Tanah dan Jajahan Kota Bharu had vide its letter dated 21 May 2023 confirmed that the transfer of the TUSB Sale Shares is not subject to Section 13A of the Kelantan Malay Reservation Enactment and as such, does not require the approval of the State Authority of Kelantan;

(iv) Bank Negara Malaysia ("**BNM**") in respect of LYASB's banking facility[(3)] obtained from Public Bank Berhad ("**PBB**") ("**PBB Facility**"); and

(v) any other relevant authorities and/or persons, if required.

Notes:

(1) Pursuant to Section 85 of the Companies Act 2016 read together with Clause 16.6 of the Constitution of the Company, Econframe shareholders have statutory pre-emptive rights to be offered any new Shares which rank equally to the existing Shares ("**Statutory Pre-Emptive Rights**"). By voting in favour of the resolution on the Proposed Acquisition 1, i.e., Ordinary resolution 1, Econframe shareholders will in effect be waiving their Statutory Pre-Emptive Rights to be offered new Shares to be issued by the Company which they are entitled to pursuant to Clause 16.6 of the Constitution of the Company and read together with Section 85 of the Companies Act 2016 and agreeing to Econframe's issue of the Consideration Shares to the Vendor in accordance with the SSA 1.

(2) TUSB had on 16 February 2023 submitted a letter to Tuan Pentadbir Tanah of Kota Bharu through Pejabat Tanah dan Jajahan Kota Bharu, for confirmation that the transfer of the TUSB Sale Shares is not subject to the requirements under the Kelantan Malay Reservation Enactment, 1930 (Enactment 18). For information, the State Authority (defined as the Ruler of the State pursuant to section 5 of the National Land Code) is empowered to appoint the State Director and State Officers pursuant to section 12 of the National Land Code for matters in connection with the State land. Pejabat Tanah dan Jajahan Kota Bharu had vide its letter dated 21 May 2023 confirmed that the transfer of the TUSB Sale Shares from TUSB to Econframe is not subject to Section 13A of the Kelantan Malay Reservation Enactment* and as such, does not require the approval of the State Authority of Kelantan.

* Section 13A of the Kelantan Malay Reservation Enactment, 1930 (Enactment 18) provides that the Ruler-in-Council may approve alienation or transfer of lands included in a Malay Reservation to any person not being a Malay.

(3) Pursuant to the PBB Facility, LYASB shall not undertake any change of its shareholders without the prior consent of BNM, the failure of which, BNM may direct PBB to withdraw the PBB Facility. LYASB had on 11 April 2023, submitted a letter of request to BNM vide PBB for the proposed change of LYASB's shareholders in connection with the Proposed Acquisition 1. LYASB targets to obtain the approval from BNM no later than 16 July 2023, being 5+1 months from the date of the SSAs (i.e. the period for the SSAs to be unconditional unless mutually extended in writing). As at the LPD, the outstanding amount of the PBB Facility is RM522,752.03. In the event the consent from BNM is not forthcoming by 16 July 2023, LYASB will settle the PBB Facility, wherein the outstanding amount of the PBB Facility is to be satisfied 50% by internally generated funds and 50% by advance from Yong Kuen Hwan. The exact amount to be settled will be subject to the outstanding amount of the PBB Facility at the time of settlement. LYASB and Yong Kuen Hwan endeavour to settle the PBB Facility not later than 2 weeks after PBB has issued the redemption statement.

Proposed Acquisition 1 is inter-conditional with Proposed Acquisition 2. Save as disclosed, the Proposed Acquisitions are not conditional or inter-conditional upon any other corporate proposals undertaken or to be undertaken by Econframe.

The highest percentage ratio applicable to the Proposed Acquisitions under Rule 10.02(g) of the Listing Requirements is 28.64% computed based on the Purchase Consideration against the audited consolidated NA of Econframe as at 31 August 2022. For information, the highest percentage ratio applicable to Proposed Acquisition 1 (before aggregation with Proposed Acquisition 2) is 27.07% computed based on the LYASB Purchase Consideration against the audited consolidated NA of Econframe as at 31 August 2022, while the highest percentage ratio applicable to Proposed Acquisition 2 (before aggregation with Proposed Acquisition 1) is 1.57% computed based on the TUSB Purchase Consideration against the audited consolidated NA of Econframe as at 31 August 2022.

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

None of the directors, major shareholders and chief executive of the Company and/or persons connected with them has any interests, direct and/or indirect, in the Proposed Acquisitions.

10. TENTATIVE TIMETABLE

Barring any unforeseen circumstances and subject to all relevant approvals obtained, the Proposed Acquisitions are expected to be completed by the second half of the calendar year 2023.

The tentative timetable is as follows:

Tentative timeline	Events
14 July 2023	EGM
Mid July 2023	Fulfilment of the conditions precedent of the SSAs
Mid August 2023	Listing of the Consideration Shares/Completion of the SSAs

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board after having considered all aspects of the Proposed Acquisitions, including the capital structure, rationale and benefit, justification of arriving at the Purchase Consideration, prospects, financial effects, risk factors and the terms and conditions of the SSAs, is of the opinion that the Proposed Acquisitions are in the best interest of the Econframe Group and its shareholders.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM of the Company.

12. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisitions, there are no other corporate exercise that has been announced but has yet to be completed as at the LPD.

13. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at the Putra Room, Sultan Abdul Aziz Shah Golf & Country Club, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan, on Friday, 14 July 2023 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Acquisitions.

If you are unable to attend and vote in person at the EGM, you may complete and return the enclosed Form of Proxy in accordance with the instructions contained, to be deposited at the Company's registered office at c/o Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time appointed for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Please refer to the attached appendices for further information.

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

LIM CHIN HORNG
Managing Director

SALIENT TERMS OF THE SSA 1

1. Sale and Purchase of LYASB Sale Shares

Subject to and upon the terms and conditions contained in the SSA 1, the Vendor, as legal and beneficial owner, agrees to sell, and the Purchaser agrees to purchase, the LYASB Sale Shares at the LYASB Purchase Consideration.

The LYASB Sale Shares are sold free from all encumbrances and with full legal and beneficial title with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof) with effect from the completion date.

2. LYASB Purchase Consideration

The LYASB Purchase Consideration is RM17,200,000.00 and shall be satisfied in the following manner:

(a) on the execution of SSA 1, the Purchaser shall pay a sum of Ringgit Malaysia One Million Seven Hundred and Twenty Thousand (RM1,720,000), equivalent to 10% of the LYASB Purchase Consideration, in cash to the Purchaser's solicitors as stakeholder for the fulfilment of the conditions precedent by the parties and the release of the LYASB Deposit to the Vendor, shall be subject to the conditions precedent of SSA 1 having been fulfilled by the parties; and

(b) on completion of SSA 1, the Purchaser shall:

   (i) pay a sum of Ringgit Malaysia Six Million Three Hundred and Eighty Thousand (RM6,380,000) in cash to the Vendor; and

   (ii) issue and allot 10,459,770 Consideration Shares at an issue price of RM0.87 per Consideration Share, equivalent to approximately Ringgit Malaysia Nine Million and One Hundred Thousand (RM9,100,000) to the Purchaser's Solicitors as stakeholder to be held as a security for the performance of the profit guarantee.

3. Profit Guarantee

In consideration of the Purchaser acquiring the LYASB Sale Shares from the Vendor, the Vendor hereby irrevocably and unconditionally guarantees and undertakes to the Purchaser that LYASB shall achieve an audited PAT of not less than Ringgit Malaysia Four Million (RM4,000,000) for each of the 12-month FPE 31 August 2024 ("**Year 1**"), 31 August 2025 ("**Year 2**") and 31 August 2026 ("**Year 3**") and a minimum cumulative audited PAT of not less than Ringgit Malaysia Twelve Million (RM12,000,000).

For the purpose of computation of the PAT and determination of the performance of the Guaranteed Amount, the PAT shall be based on LYASB's Certified Accounts.

The parties agree that:

(a) At the end of Year 1,

(i) In the event the PAT achieved by LYASB is equivalent to or exceeds the Guaranteed Amount, the Stakeholder shall be authorised to release 3,486,590 Security Shares to the Vendor, within 14 days from the date the Certified Accounts is made available.

(ii) In the event the PAT achieved by LYASB is less than the Guaranteed Amount, the Stakeholder shall be authorised to release such number of Security Shares to the Vendor within 14 days from the date the Certified Accounts is made available, calculated based on the following formula:

Year 1 Formula

"A" / "B" x "C"

whereby,

A	=	audited PAT achieved
B	=	Guaranteed Amount
C	=	3,486,590 Security Shares

(iii) In the event LYASB records an audited LAT, there will not be any release of Security Shares to the Vendor.

(iv) The parties agree that the deficiency in the audited PAT of LYASB (where the PAT achieved by LYASB is less than the Guaranteed Amount) or in the event LYASB records an LAT, the difference between the Guaranteed Amount and the LAT recorded, such deficiency or difference as the case may be, shall be carried forward to Year 2 for the purpose of calculating the Guaranteed Amount to be achieved in Year 2 ("**Adjusted Guaranteed Amount**").

(b) At the end of Year 2,

(i) In the event the PAT achieved by LYASB is equivalent to or exceeds the Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be, the Stakeholder shall be authorised to release 3,486,590 Security Shares to the Vendor, within 14 days from the date the Certified Accounts is made available; and

(ii) In the event the PAT achieved by LYASB is less than the Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be, the Stakeholder shall be authorised to release such number of Security Shares to the Vendor, within 14 days from the date the Certified Accounts is made available, calculated based on the following formula:

Year 2 Formula

"A" / "B" x "C"

whereby,

A	=	audited PAT achieved
B	=	Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be
C	=	3,486,590 Security Shares

(c) At the end of Year 3,

(i) In the event the cumulative PAT achieved by LYASB for Year 1, Year 2 and Year 3 ("**Cumulative PAT**") is equivalent to or exceeds the Guaranteed Target, the Stakeholder shall be authorised to release the remaining Security Shares to the Vendor within 14 days from the date the Certified Accounts is made available.

(ii) In the event the Cumulative PAT achieved by LYASB is less than the Guaranteed Target, the Vendor shall compensate the Purchaser such sum equivalent to the deficiency between the Cumulative PAT and the Guaranteed Target, wherein the Vendor and the Purchaser agree that the Stakeholder shall be authorised to offset the deficiency by disposing into the market the Security Shares of the equivalent value not later than 14 business days from the date the Certified Accounts is made available. Upon the disposal of the Security Shares, the Stakeholder shall release the proceeds of the disposal to the Purchaser; and the balance Security Shares therefrom (if any) shall be released to the Vendor.

(iii) The maximum number of Security Shares to be released to the Vendor in Year 3 shall not be more than the remainder of the Security Shares held by the Stakeholder at the end of Year 3.

For the avoidance of doubt –

(a) the minimum audited PAT of not less than RM4,000,000 is in respect of the PAT for 100% of LYASB;

(b) the number of Security Shares to be released by the Stakeholder for each 12-month FPE shall be limited to a maximum number of 3,486,590 Security Shares notwithstanding the audited PAT achieved by LYASB for each 12-month FPE is more than the Guaranteed Amount or Adjusted Guaranteed Amount, as the case may be;

(c) if the deficiency shall be more than the value of the Security Shares, i.e. LYASB shall have suffered losses for the Guaranteed Period, the parties agree that the Vendor shall not need to pay to the Purchaser additional monies for the loss incurred and that the value of the Security Shares shall be the maximum payable sum by the Vendor for the Guaranteed Target; and

(d) no additional Consideration Shares shall be issued by the Purchaser to the Vendor notwithstanding the Cumulative PAT is more than the Guaranteed Target.

4. Conditions Precedent

The SSA 1 shall be conditional upon the following being obtained and/or fulfilled by the parties within 5 months after the date of the SSA 1 with an automatic extension of another 1 month or such other date as the parties may mutually agree in writing:

<u>By the Purchaser</u>

(a) the approval of the Board and shareholders of the Purchaser;

(b) the approval of Bursa Securities for the listing of and quotation for the Consideration Shares;

(c) the conduct and completion of a due diligence on LYASB, its business, operations and affairs, with the results of the due diligence to the satisfaction of the Purchaser;

By the Vendor

(d) the banking facilities of LYASB as set out in Appendix A of the SSA 1 ("**Banking Facilities**"), being settled;

(e) the investment properties as set out in Appendix B of the SSA 1 ("**Investment Properties**"), being disposed by LYASB to the Vendor at the Vendor's own costs and expenses;

	Investment Properties
1.	One unit double storey terrace house held under title Geran 23761, Lot 110970, Mukim of Kuala Kuantan, District of Kuantan, State of Pahang with postal address at No. 2 Lorong Seri Mahkota Permai 23, Perkampungan Seri Mahkota Permai, 26070 Kuantan, Pahang
2.	One unit of one and the half storey semi-detached factory held under HSD 144770 PT 136999, Mukim of Klang, District of Klang, State of Selangor with postal address at No. 22 Phase 2A, KB 2B, Taman Perindustrian Air Hitam, 41200 Klang, Selangor ("**Investment Property 2**")
3.	One unit of double storey link-semi-detached house held under HSD 38662, PT 40699, Mukim of Tanjong Duabelas, District of Kuala Langat, State of Selangor with postal address at No. 16, Jalan Flora 3D/14, Bandar Rimbayu (Flora) 42500, Telok Panglima Garang, Selangor
4.	One unit service apartment distinguished as Parcel No. C2-13A-2 held under master title HSD 283989, PT 1234, Pekan Baru Sungai Besi, District of Petaling, State of Selangor with a postal address at No. 13A, Building No. C2, Jalan Anggerik, Bluwater Estate, 43300 Seri Kembangan, Selangor
5.	One unit service apartment distinguished as Parcel No. T3-12-10 held under new master title PM 267, Lot 80140, Tempat Batu 4½ Jalan Ampang, Mukim of Ampang, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur with a postal address at Arte Plus @ Jalan Ampang, No. 3 Lorong Ampang 1, Kampung Berembang, 44000 Kuala Lumpur

(f) all amount due to/from the Vendor or related parties/companies other than TUSB having been settled in full;

(g) such other waivers, consents or approvals as may be required (or deemed necessary by the parties) from any third party (including financial institution) or governmental, regulatory body or relevant authorities having jurisdiction over any transactions contemplated in the SSA 1.

By the parties

(h) the SSA 1 being unconditional; and

(i) such other waivers, consents or approvals as may be required (or deemed necessary by the parties) from any third party or governmental, regulatory body or relevant authorities having jurisdiction over any transactions contemplated under the SSA 1.

For the avoidance of doubt, the parties agree that the difference between the proceeds from the disposal of Investment Properties and the settlement of the Banking Facilities shall be dealt in a manner to be agreed between the parties*.

Note:

* The primary objective of Econframe in undertaking the Proposed Acquisition 1 is to acquire the expertise, business, assets and operations of LYASB as a fabricator and installer of aluminium glazing, glass products and facade works, comprising aluminium and glass doors, aluminium curtain walling systems, aluminium facades and cladding systems, aluminium sunscreens and aluminium louvres. The Investment Properties which are not related to the business of LYASB will be disposed back to the Vendor at a consideration price of no gain or loss to LYASB and after taking into account any settlement of the Banking Facilities. As at the LPD, the outstanding amount of Banking Facilities of RM44,877.15 is for the working capital of LYASB and it was agreed between the parties that the said outstanding amount will be satisfied by internally generated funds of LYASB.

  Save for Investment Property 2, the Investment Properties have been disposed to the Vendor on 29 December 2022 pursuant to the resolution passed by the board of directors of LYASB ("**Other Investment Properties**") and the purchase consideration amounting in aggregate of RM2.53 million was settled by setting off the single tier dividend declared by LYASB for the FYE 31 December 2022 against the dividend entitled by the Vendor as the shareholder of LYASB. As at the LPD, the legal ownerships of the Other Investment Properties have yet to be recorded under the name of the Vendor pending the release of security documents from the bank and/or registration of the Vendor's name with the relevant land authority. The Vendor expects the titles of the Other Investment Properties to be registered in his name (and therefore, the disposal of the Other Investment Properties deemed completed) by 16 July 2023, being 5+1 months from the date of the SSA 1 (i.e. the period for the SSA 1 to be unconditional unless mutually extended in writing). The disposal of Investment Property 2 was completed on 24 May 2023. Kindly refer to Section 8 of Appendix III for further details on the disposal of Investment Property 2.

5. Termination

5.1 Event of Default

On the occurrence of any of the following defaulting events before the completion date, the non-defaulting party may (but is not obliged to) give notice in writing to the defaulting party:

(a) **Breach:** breach of any material or fundamental terms or conditions of the SSA 1 or a failure to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in the SSA 1 including the breach of any material warranties;

(b) **Receiver:** a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the defaulting party;

(c) **<u>Arrangements:</u>** the defaulting party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;

(d) **<u>Winding-Up:</u>** an application, petition or order is made for the bankruptcy, winding-up or dissolution of the defaulting party, or a resolution is passed or any steps taken to pass a resolution for the winding-up or dissolution of the defaulting party, otherwise than for the purpose of an amalgamation or reconstruction which has prior written consent of the non-defaulting party; or

(e) **<u>Cessation of Business</u>:** the defaulting party (if it is a corporation) ceases or threatens to cease carrying on a substantial portion of their business other than in compliance with their obligations under the SSA 1.

5.2 Termination

(a) If the defaulting party fails to remedy the relevant default or breach within 14 business days or such extended period as may be allowed by the non-defaulting party after being given notice by the non-defaulting party, to rectify such breach, the non-defaulting party may elect to terminate the SSA 1 or pursue its action as set out in Section 5.3 of this Appendix I.

(b) In the event the Purchaser elects to terminate the SSA 1 due to the default or breaches of the Vendor which are not remedied within the period set out in Section 5.2(a), the Purchaser shall –

(i) issue a written termination notice to the Vendor; and

(ii) thereafter be entitled to the refund of the LYASB Deposit, together with the interest* accrued thereon (less bank charges and taxes, if any) and without any deduction.

* The Purchaser is entitled to all bank interest generated / accrued / earned.

(c) For the avoidance of doubt, the return of the LYASB Deposit by the Vendor to the Purchaser shall not prejudice the Purchaser's rights to recover damages, losses or costs whatsoever that it may have suffered from the Vendor in connection with or arising from the event or circumstance or combination of events or circumstances giving rise to such right of termination.

5.3 Specific Performance

Either party shall be entitled to claim specific performance of the SSA 1 against the other, and for this purpose, the parties agree that an alternative remedy of monetary compensation shall be regarded as sufficient compensation for such other party's default in the performance of the terms and conditions of the SSA 1.

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6. Failure to Complete

(a) In the event that the Vendor, without any material default by the Purchaser, fails and/or neglect to complete the SSA 1 after the same has been rendered unconditional, the Purchaser shall be entitled to:

(i) terminate the SSA 1 by notice in writing to the Vendor; and be entitled to the refund of the LYASB Deposit together with the interest* accrued thereon (less bank charges and taxes, if any) and without any deduction, or

* The Purchaser is entitled to all bank interest generated / accrued / earned at the bank's rate.

(ii) exercise its rights to enforce the specific performance of the sale and purchase of the LYASB Sale Shares and other reliefs flowing therefrom.

(b) For the avoidance of doubt, the refund of the LYASB Deposit by the Vendor to the Purchaser shall not prejudice the Purchaser's rights to recover damages, losses or costs whatsoever that it may have suffered from the Vendor in connection with or arising from the event or circumstance or combination of events or circumstances giving rise to such right of termination.

Note:

^ For clarification, in the event –

(a) the Purchaser defaults or breaches the SSA 1 which are not remedied within the period set out in Section 5.2(a); or
(b) the Purchaser fails or neglects to complete the SSA 1, without any material default by Vendor,

the Vendor may elect to terminate the SSA 1 and refund the LYASB Deposit to the Purchaser. Notwithstanding, the refund of the LYASB Deposit to the Purchaser shall not equal to a waiver or relinquishment of the Vendor's right to seek and recover, legal and equitable damages, from the Purchaser.

SALIENT TERMS OF THE SUPPLEMENTAL SSA 1

To facilitate the growing business demands of LYASB, the Vendor is desirous of injecting an additional sum of RM500,000 into LYASB as working capital. In connection with the capital injection by the Vendor, LYASB shall issue and allot 500,000 new ordinary shares at RM1.00 per share to the Vendor. Upon the issuance and allotment of the new LYASB Shares, the total share capital of LYASB shall increase to RM750,000 comprising 750,000 ordinary shares.

The parties agree that the issuance and allotment of the new LYASB Shares to the Vendor shall not amount to the Vendor's breach of the terms and conditions, in particular Clause 8.1(a) (in respect of representations and warranties) of the SSA 1.

The salient term of the Supplemental SSA is:

"LYASB Sale Shares" shall mean 487,500 ordinary shares, all of which have been duly issued and fully paid-up and representing 65% of the total share capital, of which the Vendor is the legal and beneficial owner.

Save for the above variation, there is no further amendment to the SSA 1.

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SALIENT TERMS OF THE SSA 2

1. Sale and Purchase of TUSB Sale Shares

Subject to and upon the terms and conditions contained in the SSA 2, the Vendor, as legal and beneficial owner, agrees to sell, and the Purchaser agrees to purchase, the TUSB Sale Shares at the TUSB Purchase Consideration.

The TUSB Sale Shares are sold free from all encumbrances and with full legal and beneficial title and with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof) with effect from the completion date.

2. TUSB Purchase Consideration

The TUSB Purchase Consideration is RM1,000,000.00 and shall be paid in the following manner:

(a) on the execution of the SSA 2, the Purchaser shall pay a sum of Ringgit Malaysia One Hundred Thousand (RM100,000), equivalent to 10% of the TUSB Purchase Consideration, in cash to the Purchaser's solicitors as stakeholder for the fulfilment of the conditions precedent by the parties and the release of the TUSB Deposit to the Vendor, shall be subject to the conditions precedent of SSA 2 having been fulfilled by the parties; and

(b) on completion of the SSA 2, the Purchaser shall pay a sum of Ringgit Malaysia Nine Hundred Thousand (RM900,000), equivalent to 90% of the TUSB Purchase Consideration in cash to the Vendor.

3. Conditions Precedent

The SSA 2 shall be conditional upon the following being obtained and/or fulfilled by the parties within 5 months after the date of the SSA 2 with an automatic extension of another 1 month or such other date as the parties may mutually agree in writing:

<u>By the Purchaser</u>

(a) the approval of the Board and shareholders of the Purchaser;

(b) the conduct and completion of a due diligence on TUSB, its business, operations and affairs, with the results of the due diligence to the satisfaction of the Purchaser;

<u>By the Vendor</u>

(c) the prior written approval of the Ruler in Council pursuant to the Kelantan Malay Reservations Enactment (Enactment No. 18), 1930 and Kelantan Land Enactment (Enactment No. 26), 1938 in relation to the relation to the transaction contemplated; and the Vendor shall submit such application to the relevant authority within 14 days from the date of the SSA 2;

<u>By the parties</u>

(d) the SSA 1 being unconditional; and

(e) such other waivers, consents or approvals as may be required (or deemed necessary by the parties) from any third party or governmental, regulatory body or relevant authorities having jurisdiction over any transactions contemplated under the SSA 2.

4. Termination

4.1 Event of Default

On the occurrence of any of the following defaulting events before the completion date, the non-defaulting party may (but is not obliged to) give notice in writing to the defaulting party:

(a) **Breach:** breach of any material or fundamental terms or conditions of the SSA 2 or a failure to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in the SSA 2 including the breach of any material warranties;

(b) **Receiver:** a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the defaulting party;

(c) **Arrangements:** the defaulting party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;

(d) **Winding-Up:** an application, petition or order is made for the bankruptcy, winding-up or dissolution of the defaulting party, or a resolution is passed or any steps taken to pass a resolution for the winding-up or dissolution of the defaulting party, otherwise than for the purpose of an amalgamation or reconstruction which has prior written consent of the non-defaulting party; or

(e) **Cessation of Business:** the defaulting party (if it is a corporation) ceases or threatens to cease carrying on a substantial portion of their business other than in compliance with their obligations under the SSA 2.

4.2 Termination

(a) If the defaulting party fails to remedy the relevant default or breach within 14 business days or such extended period as may be allowed by the non-defaulting party after being given notice by the non-defaulting party, to rectify such breach, the non-defaulting party may elect to terminate the SSA 2 or pursue its action as set out in Section 4.3 of this Appendix II.

(b) In the event the Purchaser elects to terminate the SSA 2 due to the default or breaches of the Vendor which are not remedied within the period set out in Section 4.2(a), the Purchaser shall –

(i) issue a written termination notice to the Vendor; and

(ii) thereafter be entitled to the refund of the TUSB Deposit, together with the interest* accrued thereon (less bank charges and taxes, if any) and without any deduction.

* The Purchaser is entitled to all bank interest generated / accrued / earned.

(c) For the avoidance of doubt, the return of the TUSB Deposit by the Vendor to the Purchaser shall not prejudice the Purchaser's rights to recover damages, losses or costs whatsoever that it may have suffered from the Vendor in connection with or arising from the event or circumstance or combination of events or circumstances giving rise to such right of termination.

4.3 Specific Performance

Either party shall be entitled to claim specific performance of the SSA 2 against the other, and for this purpose, the parties agree that an alternative remedy of monetary compensation shall be regarded as sufficient compensation for such other party's default in the performance of the terms and conditions of the SSA 2.

5. Failure to Complete

(a) In the event that the Vendor, without any material default by the Purchaser, fails and/or neglect to complete the SSA 2 after the same has been rendered unconditional, the Purchaser shall be entitled to:

(i) terminate the SSA 2 by notice in writing to the Vendor; and be entitled to the refund of the TUSB Deposit together with the interest* accrued thereon (less bank charges and taxes, if any) and without any deduction, or

* The Purchaser is entitled to all bank interest generated / accrued / earned at the bank's rate.

(ii) exercise its rights to enforce the specific performance of the sale and purchase of the TUSB Sale Shares and other reliefs flowing therefrom.

(b) For the avoidance of doubt, the refund of the TUSB Deposit by the Vendor to the Purchaser shall not prejudice the Purchaser's rights to recover damages, losses or costs whatsoever that it may have suffered from the Vendor in connection with or arising from the event or circumstance or combination of events or circumstances giving rise to such right of termination.

Note:

^ For clarification, in the event –

(a) the Purchaser defaults or breaches the SSA 2 which are not remedied within the period set out in Section 4.2(a); or
(b) the Purchaser fails or neglects to complete the SSA 2, without any material default by Vendor,

the Vendor may elect to terminate the SSA 2 and refund the TUSB Deposit to the Purchaser. Notwithstanding, the refund of the TUSB Deposit to the Purchaser shall not equal to a waiver or relinquishment of the Vendor's right to seek and recover, legal and equitable damages, from the Purchaser.

FURTHER INFORMATION ON LYASB

1. BACKGROUND

Lee Yong Aluminium Works was established in Malaysia on 22 December 1984 as a partnership between Yong Kuen Hwan and Lee Keh Wei, to supply and install aluminium related peripherals/equipment. It commenced operations on the same date. Circa July 1986, Yong Kuen Hwan acquired the ownership of his partner's, Lee Keh Wei portion of the partnership and on 11 July 1986, Lee Yong Aluminium Works became the sole proprietorship of Yong Kuen Hwan.

LYASB was incorporated on 29 April 1995 under the Companies Act 1965 as a private limited company and the business of Lee Yong Aluminium Works was transferred to LYASB.

LYASB is principally involved in the fabrication and installation of aluminium glazing, glass products and facade works, comprising aluminium and glass doors, aluminium curtain walling systems, aluminium facades and cladding systems, aluminium sunscreens and aluminium louvres for residential and commercial buildings. LYASB is currently a Grade G7 contractor registered with the Construction Industry Development Board, which allows LYASB to tender for contracts of unlimited value. LYASB has over 30 years of architectural experience, having grown from a small aluminium fabricator workshop. Today, LYASB has a fully-equipped and skilled fabrication factory and has the capability to fabricate customised window and door solutions to meet architectural and client specifications located at Lot 3121, PT 1422, Jalan 20, Kawasan Perindustrian Pengkalan Chepa II, 16100 Kemumin, Kelantan. LYASB is also ISO9001: 2015 Quality Management System certified.

As at the LPD, the issued share capital of LYASB is RM750,000 comprising 750,000 LYASB Shares. Yong Kuen Hwan is currently the sole director and shareholder of LYASB.

Save for the following, as at the LPD, LYASB does not have any other subsidiary or associated company:

Name	Date/Country of incorporation	Equity interest held (%)	Issued and paid-up share capital	Principal activities
Lee & Yong Aluminium (Sarawak) Sdn Bhd	23 December 2021 /Malaysia	100.00	RM1,000	Have not commenced operations

2. PRINCIPAL LOCATION OF OPERATIONS

LYASB's principal location of operations is carried out in the factory located at the address below.

Principal Location of Operations

Address	Activity	Built-up	Tenancy/Tenure
Lot 3121, PT 1422, Jalan 20, Kawasan Perindustrian Pengkalan Chepa II, 16100 Kemumin, Kelantan	Fabrication of aluminium glazing and glass products and facade works	Built-up area[(1)]: 29,962 square feet Land area[(2)]: 3,189 square metres	Rented/3 years tenancy from 1 January 2023[(2)]
No. 5, Jalan PJU 1A/16, Taman Perindustrian Jaya, 47200 Petaling Jaya, Selangor	Warehouse for storage of finished products-cum-management office	2,800 square feet	Owned

Notes:

(1) Refers to the Factory Complex owned by LYASB which is erected on the land identified as Lot 3121, PT 1422.

(2) Refers to the parcel of leasehold industrial land referred to as Lot 3121, PT 1422 which is owned by TUSB and rented to LYASB. The details of the land are set out in Section 2.8.1 of this Circular.

3. PRINCIPAL PRODUCTS AND MARKETS AND RAW MATERIALS

3.1 Principal product market

The principal products of LYASB include aluminium windows, aluminium and glass doors, aluminium curtain walling systems, aluminium facades and cladding systems, aluminium sunscreens and louvres, tempered glass shower screens, frameless glass railings and skylights, strip and suspended ceilings, etc.

For the FYE 31 December 2022, 100% of LYASB's revenue was contributed by the domestic market.

3.2 Key sources of raw materials

LYASB sources its raw materials and supplies which comprises aluminium extrusion and, sheet glass domestically.

4. KEY ASSETS OF LYASB

Based on the audited financial statements of LYASB as at 31 December 2022, the total assets of LYASB amount to approximately RM13.9 million, which comprises the following:

Details	**Net book value as at 31 December 2022** **RM**
Land and buildings	2,090,671
Plant and machinery	1,016,882
Other property, plant and equipment	756,307
Right-of-use assets	48,096
Inventories	3,076,316
Trade, other receivables and prepayments(1)	4,873,666
Current tax assets	158,410
Contract assets	1,092,152
Cash and short-term deposits	768,731
Total Assets	**13,881,231**

Note:

(1) Included in trade, other receivables and prepayment is an amount due by Yong Kuen Hwan, the director of LYSAB, of RM2.9 million which will be repaid prior to the completion of the Proposed Acquisitions.

5. PRODUCTION CAPACITY AND OUTPUT

As LYASB is principally involved in the fabrication and installation of aluminium glazing, glass products and facade works, its production output and capacity is determined by the number of employees engaged by LYASB. It is not meaningful to provide the production capacity for the operations of LYASB.

As set out in the table below, fabrication and installation of window frames and aluminium doors are LYASB's main revenue source accounting for between 55.5% and 69.5% of total revenue for the FYEs 31 December 2020 to 2022.

Revenue Breakdown and production output for windows and doors

	FYE 31 December		
	2020	**2021**	**2022**
	RM	**RM**	**RM**
Revenue	22,635,855	12,252,545	11,887,495
- Windows and doors	*12,572,196*	*7,312,317*	*8,267,549*
- Facade installation	*7,391,089*	*4,073,594*	*2,827,124*
- Glass works	*2,617,445*	*749,987*	*795,096*
- Others	*155,933*	*147,876*	*169,590*
Less: discount provided and other sales adjustments	*(100,808)*	*(31,229)*	*(171,864)*

	FYE 31 December		
	2020	**2021**	**2022**
	RM	**RM**	**RM**
Revenue			
- Windows and doors	*55.5%*	*59.7%*	*69.5%*
- Facade installation	*32.6%*	*33.2%*	*23.8%*
- Glass works	*11.6%*	*6.1%*	*6.7%*
	99.7%	*99.0%*	*100.0%%*
Production output for windows and doors (square metres (m^2))	9,097	10,008	13,148

Facade contributes between 23.8% and 33.2% of total revenue. However, it should be noted that there is no production output for facade as revenue contribution from facade is only from installation.

FYE 31 December 2021 vs FYE 31 December 2020

LYASB's production output for windows and doors for the FYE 31 December 2019 was 27,293 m^2.

The significant reduction in production output for windows and doors for the FYE 31 December 2020 of 9,097 m^2 was mainly due to the various movement restrictions implemented in 2020 which resulted in slower delivery of raw materials and installation works. The marginal improvement in production output for windows and doors by 911 m^2 (3.3%) in the FYE 31 December 2021 to 10,008 m^2 as compared to the preceding year was also mainly due to the continuation of the movement restrictions, which resulted in slower delivery of raw materials and installation works.

FYE 31 December 2022 vs FYE 31 December 2021

The improvement in production output for windows and doors by 3,140 m^2 (31.4%) in the FYE 31 December 2022 to 13,148 m^2 was mainly due to the lifting of the movement restrictions in 2022, which resulted in the increase in delivery of raw materials and installation works during the year.

During the 3 financial years under review, LYASB did not conduct any material research and development activities.

6. KEY MANAGEMENT OF LYASB

Name	Role	Tenure with LYASB
Yong Kuen Hwan	Managing Director • Responsible for the general development and strategic planning	Approximately 38 years (since December1984)
Azeman bin Sidi Ahmad	Chief Project Officer • Responsible for the overall management of on-going projects	Approximately 9 years (since May 2014)

Name	Role	Tenure with LYASB
Azmi bin Mohamad Nor	Chief Contract Manager • Responsible for bidding and negotiation of contracts	Approximately 6 years (since March 2017)
Goh Siau Fuey	Finance and General Manager • Responsible for finance and accounting related matters	Approximately 20 years (since March 2003)

Kindly refer to Section 2.11 of this Circular for the profile of Yong Kuen Hwan.

The profiles of Azeman bin Sidi Ahmad, Encik Azmi bin Mohamad Nor and Goh Siau Fuey are as follows:

Azeman bin Sidi Ahmad, Malaysian, aged 45, is the Chief Project Officer of LYASB. He graduated with a Diploma in Quantity Surveying from MARA Institute of Technology, (now known as MARA University of Technology) in April 1999. He has over 22 years of experience in quantity surveying.

He started his career as Project Coordinator at HM Enterprise (M) Sdn Bhd in Terengganu in 2000, which is principally involved in general engineering construction and housing development, wherein his responsibilities involved taking care of the daily tasks of project(s) as well as plan the milestones with project team members to ensure that timeline is maintained as scheduled. He left HM Enterprise (M) Sdn Bhd in April 2014 and in May 2014, joined LYASB as Chief Project Officer where he leads and monitors all projects, programmes and operations.

Azmi Bin Mohamad Nor, a Malaysian, aged 37, is the Chief Contract Manager of LYASB. He graduated with a Bachelor of Building Surveying from the University Malaya in August 2008. He has over 15 years of experience in building surveying.

Upon graduation, he worked as a Quantity Surveyor in CAM Contract Works & Development (M) Sdn Bhd. He left the company in 2010 and joined Kesuma Murni Sdn Bhd, another construction company based in Kota Bharu.

He left Kesuma Murni Sdn Bhd in 2011 and between 2011 and 2013, worked at Salcon Engineering Berhad as Contract Executive where he was responsible for the preparation of project estimates, costing, budget and tender, as well as monitoring and control of construction cost and other relevant duties. In 2014, he left Salcon Engineering Berhad and joined SKT Construction Sdn Bhd as a Quantity Surveyor. He left SKT Construction Sdn Bhd in February 2017 and joined LYASB in March 2017 as Chief Contract Manager where he is responsible for project proposals, biddings and contract negotiations.

Goh Siau Fuey, Malaysian, aged 45, is the Finance and General Manager of LYASB where she is responsible for accounting, finance and general matters of LYASB. She obtained her first class certificates in levels 1 and 2 of bookkeeping and accounts accredited by the City and Guilds of London Institute in October 1997. In August 2000, she also obtained a certification in level 3 Computerised Accounting from Sekolah Perdagangan Dian in Kelantan.

She started her career in June 1996 with SP Cinta Sdn Bhd where she worked as a Production Executive until 2000. In 2001, she left for Singapore and worked as an administration clerk at Automega (S) Pte Ltd. In the following year, she returned to Malaysia and joined MBJ Bina Jaya Machinery & Hardware Sdn Bhd as an Account Executive until February 2003 before joining LYASB in March 2003.

7. HISTORICAL FINANCIAL INFORMATION

The summary of the financial information of LYASB based on the audited financial statements of LYASB for the FYEs 31 December 2020, 2021 and 2022 are as follows:

	Audited FYEs 31 December		
	2020	**2021**	**2022[(a)]**
	RM'000	**RM'000**	**RM'000**
Revenue	22,636	12,253	11,887
GP	8,525	4,927	4,529
Other income	570	406	301
PBT/(Loss before tax)	3,268	2,745	(2,675)
PAT/(LAT)	2,358	2,337	(3,012)
GP margin (%)	*37.7*	*40.2*	*38.1*
Total current assets	13,666	12,769	9,969
Total non-current assets	15,242	15,153	3,912
Total current liabilities	11,371	8,402	8,707
Total non-current liabilities	7,852	7,497	4,165
Share capital	250	250	250
Shareholders' funds/NA	9,685	11,772	759
Net cash flows from operating activities	799	1,036	1,263
Net cash flows from/(used in) investing activities	72	(412)	(1,450)
Net cash flows used in financing activities	(21)	(64)	(856)
Number of shares (units)	250,000	250,000	250,000
EPS/(Loss per share) (RM)	9.43	9.35	(12.05)
NA per share (RM)	38.74	47.09	3.04
Total borrowings (RM'000)	13,321	12,766	10,097
Gearing (times)	1.38	1.08	13.30
Current ratio (times)	1.20	1.52	1.14

Notes:

(a) The financial statements of LYASB for the FYE 31 December 2022 is prepared in accordance with the Malaysian Financial Reporting Standards prior to which, the financial statements of LYASB was prepared based on the Malaysian Private Entities Reporting Standards.

Financial commentaries:

FYE 31 December 2021 vs FYE 31 December 2020

For the FYE 31 December 2021, revenue decreased by RM10.38 million (45.9%) from RM22.64 million in the preceding financial year to RM12.25 million due to lower production and lower installation works during the financial year arising from the interruption of operations caused by the movement restrictions during the period the Movement Control Order was in force. Despite lower revenue having been recorded during the financial year, GP margin improved from 37.7% in the preceding year to 40.2% mainly attributed to lower average price of raw materials.

In line with the decrease in revenue, PAT decreased by RM21,000 (0.9%) from RM2.36 million in the preceding year to RM2.34 million. However, the decrease was partially offset by the higher GP margin recorded and lower administrative and general expenses incurred during the financial year.

Total borrowings decreased from RM13.32 million as at 31 December 2020 to RM12.77 million as at 31 December 2021 principally due to lower utilisation of trade banking facilities, in line with the lower revenue recorded during the financial year.

FYE 31 December 2022 vs FYE 31 December 2021

For the FYE 31 December 2022, revenue decreased marginally by RM0.37 million (3.0%) to RM11.89 million from RM12.25 million as compared to the preceding financial year principally due to the movement restrictions implemented in the preceding year which production and installation works and the supply of raw materials had yet to normalise. Raw material cost also increased during the FYE 31 December 2022 resulting in the decrease in GP margin from 40.2% to 38.1%.

LYASB recorded a LAT of RM3.01 million for the FYE 31 December 2022 primarily due to the impairment loss of receivables of RM3.41 million and the write off of inventories amounting to RM0.24 million. The reduction in NA of LYASB as at 31 December 2022 was mainly due to the declaration and payment of interim dividends of RM8.0 million during the FYE 31 December 2022.

Save for the transition to the Malaysian Financial Reporting Standards and the impact from the adoption of MFRS 15: Revenue from Contracts with Customers* as set out in Note 2.2 and Note 23 to the financial statements for the FYE 31 December 2022, there were no exceptional or extraordinary items during the FYEs 31 December 2020 to 2022.

Note:

* MFRS 15 resulted in the identification of various performance obligations which previously had been bundled as a single sale of goods. As such, revenue is recognised over the period of the contract by reference to the proportion of construction costs incurred for work performed against the estimated total construction costs.

The audited financial statements of LYASB for the FYEs 31 December 2019 to 2022 were not subject to any audit qualifications.

During the FYEs 31 December 2020 to 2022, there were no accounting policies adopted by LYASB which had any effect on the determination of income or financial position^ of LYASB, save for the adoption of the Malaysian Financial Reporting Standards for the FYE 31 December 2022.

^ The effect on the financial statement of LYASB for the FYE 31 December 2021 as extracted from Note 23 of the audited financial statement of LYASB for the FYE 31 December 2022 is as follows:

Statement of Financial Position As at 31 December 2021	**Previously reported**	**Adjustments**	**Restated**
	RM	**RM**	**RM**
Current assets			
Contract assets	-	395,765	395,765
Equity			
Retained earnings	11,550,225	221,499	11,771,724
Current liabilities			
Contract liabilities	-	(104,319)	(104,319)
Current tax liabilities	(652,206)	(69,947)	(722,153)

8. CONTRACTS

Save as disclosed below, as at the LPD, LYASB and its subsidiary have not entered into any contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this Circular:

(a) Sale and purchase agreement dated 27 December 2022 between LYASB as vendor and Boo Cheng Kwong and Leao Sod Hoon, collective as purchasers for the disposal of a 1½ storey semi-detached factory bearing the postal address of No. 22 Phase 2A, KB 2B, Taman Perindustrian Air Hitam, 41200, Klang, Selangor, for a cash disposal consideration of RM4,600,000. The disposal was completed on 24 May 2023.

9. LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, LYASB and its subsidiary are not engaged in any litigation, claims or arbitration, either as plaintiff or defendant and the director of LYASB has no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of LYASB and its subsidiary.

10. COMMITMENTS

As at the LPD, the director of LYASB confirms that there is no commitments incurred or known to be incurred by LYASB and its subsidiary that is likely to have an impact on LYASB and its subsidiary's profits or NA upon becoming enforceable.

11. CONTINGENT LIABILITIES

As at the LPD, the director of LYASB confirms that there is no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on LYASB and its subsidiary's profits or NA.

FURTHER INFORMATION ON TUSB

1. BACKGROUND

TUSB was incorporated on 30 April 1995 in Malaysia under the Companies Act 1965 as a private limited company. It commenced operations on the same date. The principal activity of TUSB is that of rental of property. It is the registered proprietor of the land located at Lot 3121, PT 1422, Jalan 20, Kawasan Perindustrian Pengkalan Chepa II, 16100 Kemumin, Kelantan. The said land owned by TUSB is rented to LYASB on which the main factory and business operations of LYASB is operating from. Kindly refer to Section 2.8.1 of this Circular for further details of the land.

As at the LPD, the issued share capital of TUSB is RM29,184 comprising 29,184 TUSB Shares. Yong Kuen Hwan is the sole director and shareholder of TUSB.

As at the LPD, TUSB does not have any subsidiary or associated company.

Upon completion of the Proposed Acquisition 2, Econframe will appoint representatives to the board of directors of TUSB.

2. HISTORICAL FINANCIAL INFORMATION

The summary of the financial information of TUSB based on the audited financial statements of TUSB for the FYEs 30 June 2020, 2021 and 2022 are as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	29	30	30
PBT	15	17	16
PAT	12	12	11
Total current assets	96	117	147
Total non-current assets	116	114	111
Total current liabilities	224	230	246
Total non-current liabilities	-	-	-
Share capital	29	29	29
Shareholders' funds/NA	(11)	1	11
Net cash flows from operating activities	12	18	16
Net cash flows from investing activities	-	-	-
Net cash flows from financing activities	12	6	14
Number of shares (units)	29,184	29,184	29,184
EPS (RM)	0.41	0.41	0.38
NA per share (RM)	(0.38)	0.03	0.38

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Total borrowings (RM'000)	-	-	-
Gearing (times)	-	-	-
Current ratio (times)	0.43	0.51	0.60

Note:

(a) The financial statements of TUSB were prepared based on the Malaysian Private Entities Reporting Standards.

Financial commentaries:

TUSB only owns the leasehold land known as PN 6354, Lot 3121, Mukim of Kemumin, District of Jajahan Kota Bharu, State of Kelantan, which is rented to LYASB. It does not have any other operations or assets during the FYEs 30 June 2020 to 2022.

There were no exceptional or extraordinary items during the FYEs 30 June 2020 to 2022.

The audited financial statements of TUSB for the FYEs 30 June 2020 to 2022 were not subject to any audit qualifications.

During the FYEs 30 June 2020 to 2022, there were no accounting policies adopted by TUSB which are peculiar to TUSB due to the nature of its business or the industry it is involved in, which had any effect on the determination of income or financial position of TUSB.

3. CONTRACTS

As at the LPD, TUSB has not entered into any contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this Circular.

4. LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, TUSB is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant and the director of TUSB has no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of TUSB.

5. COMMITMENTS

As at the LPD, the director of TUSB confirms that there is no commitment incurred or known to be incurred by TUSB that is likely to have an impact on TUSB's profits or NA upon becoming enforceable.

6. CONTINGENT LIABILITIES

As at the LPD, the director of TUSB confirms that there is no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on TUSB's profits or NA.

VALUATION CERTIFICATE

HENRY BUTCHER MALAYSIA
International Asset Consultants

Your Ref : -
Our Ref : HBM(KB)/V/2839/2023/CZCS

January 16, 2023

The Board of Directors
M/S ECONFRAME BERHAD
No. 1, Jalan 27A
Kawasan 16, Kawasan Perindustrian Sungai Rasa
41300 Klang
Selangor Darul Ehsan

Dear Sirs,

CERTIFICATE OF VALUATION OF A PARCEL OF INDUSTRIAL LAND HELD UNDER TITLE NO. PN 6354, LOT 3121, MUKIM OF KEMUMIN, DISTRICT OF KOTA BHARU, STATE OF KELANTAN DARUL NAIM ("SUBJECT PROPERTY").

We were instructed by M/s Econframe Berhad ("Econframe") to conduct a valuation on the abovementioned industrial property ("Subject Property"). The full details of the valuation are included in our Valuation Report bearing reference no. HBM(KB)/V/2839/2023/CZCS dated January 16, 2023.

This certificate has been prepared for the purpose of inclusion in the circular to shareholders of Econframe in conjunction with the proposed acquisition by Econframe from Yong Kuen Hwan of 29,184 ordinary shares in the share capital of Trans United Sdn Bhd, representing 100% equity interest ("Proposed Acquisition"). Trans United Sdn Bhd is the registered owner of the Subject Property.

The Subject Property was inspected and referenced on January 16, 2023. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. January 16, 2023.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers and with the necessary professional responsibility and due diligence.

The basis of valuation is the Market Value which is defined by the Malaysian Valuation Standards to be "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

HENRY BUTCHER MALAYSIA (Kelantan) Sdn Bhd (1194978-X)
Lot PT 265, Tingkat 2, Wisma Nik Kob, Jalan Sultan Yahya Petra, 15200 Kota Bharu, Kelantan Darul Naim, Malaysia.
Tel • 609-747 4001 / 5002 Fax • +609-747 5003 e • hbmkel@yahoo.com • **www.henrybutcher.com.my**

The brief description of the Subject Property and our opinion of the current Market Value are as follows: -

Property Description

Property Type/ Interests Valued	:	A parcel of vacant industrial land. Remark: The site was erected upon with a factory complex comprising a three (3) storey office building attached with a single storey factory building and a guard house ("Buildings"). However, we have been specifically instructed by the client to value as a parcel of vacant land and ignore value attributed by the Buildings erected thereon as the Buildings are not owned by Trans United Sdn Bhd, the registered owner of the Subject Property. The Buildings are owned by Lee & Yong Aluminium Sdn Bhd, who is currently renting the Subject Property from the registered owner to operate its business. Trans United Sdn Bhd and Lee & Yong Aluminium Sdn Bhd share the same common sole shareholder. Econframe intends to undertake the Proposed Acquisition wherein Trans United Sdn Bhd is the registered owner of the Subject Property, which is the subject matter of this valuation.
Particulars & Address of the Subject Property	:	Title No. PN 6354, Lot 3121, Mukim of Kemumin, District of Kota Bharu, State of Kelantan Darul Naim bearing postal address Lot 3121, PT 1422, Jalan 20, Kawasan Perindustrian Pengkalan Chepa II, 16100 Kota Bharu, Kelantan Darul Naim.
Location	:	The Subject Property is located off the eastern side of the 7.4 kilometre post Jalan Pengkalan Chepa (now known as Jalan Tok Guru) within an established industrial estate known as Kawasan Perindustrian Pengkalan Chepa II, Mukim of Kemumin, District of Kota Bharu, State of Kelantan Darul Naim. Geographically, it is sited about 10.3 kilometres ("km") by road to the north-east of Kota Bharu Town Centre. Access to the Subject Property from the abovesaid road is via a right turn onto Jalan Maktab for about 1.3 km and thereafter turning right onto Jalan Padang Tembak (now known as Jalan Hj. Nik Abdullah Arshad) for about 1.2 km. The access is then continued via a left turn onto Jalan 2/44 for about 300 metres and finally turning left onto Jalan 20 for about 100 metres leading to the Subject Property.
Site	:	The Subject Property comprises a parcel of vacant industrial land held under Title No. PN 6354, Lot 3121, Mukim of Kemumin, District of Kota Bharu, State of Kelantan Darul Naim. It is rectangular in shape encompassing a surveyed land area of 3,189 square metres (0.7880 acre or 34,326 square feet). It has a frontage of approximately 64.95 metres (213 feet) onto Jalan 20 and a maximum depth of approximately 50.07 metres (164 feet). The physical terrain of the land is generally flat and lies about the level of the frontage road and the surrounding lands.

Site (cont'd)	:	At the time of our inspection, we noted that the land was erected upon with a factory complex comprising a three (3) storey office building attached with a single storey factory building and a guard house. Proper drainage system and car parking bays are provided within the subject site. The compound of the Subject Property is enclosed with about 2.13 metres high glass panel surmounted onto plastered brickwall fencing whilst the side and rear compounds are enclosed with about 2.13 metres high plastered brickwall fencing. The main entrances are secured with two (2) sliding metal gates hung onto concrete posts.

Title Particulars

Title No.	:	PN 6354
Lot No.	:	3121
Mukim	:	Kemumin
District	:	Kota Bharu
State	:	Kelantan
Surveyed Land Area	:	3,189 square metres
Registered Owner	:	Trans United Sdn Bhd (Company No : 298247-W)
Tenure	:	Leasehold 66 years expiring on May 22, 2065
Category of land use	:	"Perusahaan/Perindustrian"
Encumbrances	:	Charged to Public Islamic Bank Berhad vide Presentation No. 5317/2014 dated November 25, 2014.
Reservation Area	:	DI DALAM KAWASAN RIZAB MELAYU

Planning Approvals

Planning Approval	:	The Subject Property was designated for industrial use.

Valuation Methodology

We have adopted the Comparison Approach in formulating our opinion of the current MV of the Subject Property. Only one (1) method has been adopted in valuing the Subject Property as in our opinion, the Comparison Approach is the most appropriate method of valuation to assess the MV of the Subject Property as the Subject Property consists a parcel of vacant industrial land, therefore other methods of valuation are not suitable.

The Comparison Approach is the market approach of comparing the Subject Property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing the properties, due consideration is given to factors such as location, size, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

In arriving at our opinion of market value, we have taken into consideration amongst others, the following transactions which were extracted from the Valuation and Property Services Department (JPPH): -

	Comparable 1	**Comparable 2**	**Comparable 3**
Property	PN 3026, Lot 5054, Mukim of Panchor, District of Kota Bharu, State of Kelantan Darul Naim	PN 3249, Lot 5188, Mukim of Panchor, District of Kota Bharu, State of Kelantan Darul Naim	PN 3999, Lot 2420, Mukim of Panchor, District of Kota Bharu, State of Kelantan Darul Naim
Land Area	20,670 square metres (222,492 square feet)	11,333 square metres (121,988 square feet)	5,540 square metres (59,633 square feet)
Type	Vacant industrial land	A factory complex comprising a single storey detached factory with a built-up area of approximately 2,118.18 square metres (22,800 square feet)	Vacant industrial land
Tenure	Leasehold 66 years expiring on February 15, 2063	Leasehold 66 years expiring on November 21, 2064	Leasehold 66 years expiring on February 15, 2063
Date of Transaction	February 23, 2022	October 5, 2020	January 8, 2020
Consideration	RM4,672,291.00	RM5,650,000.00	RM1,330,000.00
Building Cost (per square metre)	-	RM1,615.00	-
Building Depreciation Rate	-	20%	-
Land Value (per square metre)	RM226.04	RM257.04	RM240.07
Adjusted Land Value (per square metre)	RM320.41	RM339.29	RM303.69
Remarks on Adjusted Value	Adjustments made on time, size and site improvements factors	Adjustments made on time and size factors	Adjustments made on time, size and site improvements factors

Remarks for Comparable 2 :

1. Based on the Juru Ukur Bahan Malaysia and Arcadis Construction Cost Handbook 2022, the construction cost for a single storey conventional factory of structural steelwork ranges between RM1,380.00 per square metre to RM1,965.00 per square metre (RM128.21 per square foot to RM182.55 per square foot).
2. We have adopted RM1,615.00 per square metre (RM150.00 per square foot) for the building construction cost of Comparable 2 after incorporated the factors of building specifications such as floor finishes, eaves height, roof, floor loading capacity etc. in adjustment.
3. The building of this comparable is about 10 years old. Therefore, a depreciation rate of 20% is adopted.

We have adopted RM320.00 per square metre for the valuation of the land calculation based on the following facts :-

- We are of the opinion that Comparable 1 is the best comparable as the Comparable 1 was located at same industrial scheme with the Subject Property and transacted in year 2022 which is nearest to the date of valuation of the Subject Property.
- The Comparable 2 and 3 were transacted about two (2) years and three (3) years ago (on October 5, 2020 and February 8, 2020) respectively.
- RM320.00 per square metre is close to the average adjusted land value which is RM321.13 per square metre and Comparables 1, 2 and 3 are all located at the same industrial scheme as the Subject Property.

Conclusion

Taking into consideration all relevant factors, we are of the opinion that the current Market Value of the leasehold interest in the Subject Property in its existing physical condition and with the benefits of vacant possession is: -

RM1,000,000 (Ringgit Malaysia : One Million Only)

Yours faithfully,
HENRY BUTCHER MALAYSIA (KELANTAN) SDN. BHD.

Sr CHE ZULKIFLI BIN CHE SEMAN
B. Surv. (Hons) Prop. Mgmt. MRISM
Registered Valuer (V-758)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LYASB FOR THE FYE 31 DECEMBER 2022

LEE & YONG ALUMINIUM SDN. BHD.
Registration No. 199501012961 (342163-T)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2022

LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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Registration No. 199501012961 (342163-T)

LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in aluminium works. The principal activities of its subsidiary are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year, net of tax	(3,012,355)	(3,005,953)

DIVIDEND

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single tier interim dividend of RM32 per ordinary share in respect of the financial year ended 31 December 2022, paid on 31 December 2022	8,000,000

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Registration No. 199501012961 (342163-T)

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Registration No. 199501012961 (342163-T)

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Yong Kuen Hwan*	
Chin Yaw Meng	(Resigned on 28 December 2022)
Tan Phay Lim*	(Resigned on 28 December 2022)

* Directors of the Company and of the subsidiary

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary share			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Direct interests:				
Yong Kuen Hwan	249,999	1	-	250,000

Other than stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

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

Registration No. 199501012961 (342163-T)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS (CONTINUED)

Details of the remuneration paid to or receivable by the director of the Group and the Company during the financial year are as follows:

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
Director of the Company		
- Fees	406,648	635,722
- Defined contribution plans	30,600	51,348
- Other emoluments	1,002	2,770
	438,250	689,840

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

There was no indemnity given to or insurance effected for, any director or officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiary are disclosed in Note 8 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and the Company for the financial year are RM57,500 and RM55,000 respectively.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

Registration No. 199501012961 (342163-T)

DIRECTORS' REPORT (CONTINUED)

This report was approved and signed in accordance with a resolution of the director:

....

YONG KUEN HWAN
Director

Date: 15 MAY 2023

Registration No. 199501012961 (342163-T)

LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Group		Company	
	Note	31.12.2022 RM	31.12.2021 RM (Restated)	31.12.2022 RM	31.12.2021 RM (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment	5	3,863,860	3,825,541	3,863,860	3,825,541
Right-of-use assets	6(a)	48,096	-	48,096	-
Investment properties	7	-	11,327,304	-	11,327,304
Investment in a subsidiary	8	-	-	1,000	1,000
Total non-current assets		3,911,956	15,152,845	3,912,956	15,153,845
Current assets					
Inventories	9	3,076,316	3,999,583	3,076,316	3,999,583
Trade and other receivables	10	4,795,405	7,259,605	4,795,405	7,259,605
Prepayments		78,261	57,944	78,261	57,944
Current tax asset		158,410	-	158,410	-
Contract assets	11	1,092,152	395,765	1,092,152	395,765
Cash and short-term deposits	12	768,731	1,055,812	768,731	1,055,812
Total current assets		9,969,275	12,768,709	9,969,275	12,768,709
TOTAL ASSETS		13,881,231	27,921,554	13,882,231	27,922,554

Registration No. 199501012961 (342163-T)

LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	31.12.2022 RM	31.12.2021 RM (Restated)	31.12.2022 RM	31.12.2021 RM (Restated)
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	250,000	250,000	250,000	250,000
Retained earnings		759,369	11,771,724	765,771	11,771,724
TOTAL EQUITY		1,009,369	12,021,724	1,015,771	12,021,724
Non-current liabilities					
Lease liabilities	6(b)	17,176	-	17,176	-
Deferred tax liabilities	14	147,840	70,125	147,840	70,125
Loans and borrowings	15	3,999,621	7,427,259	3,999,621	7,427,259
Total non-current liabilities		4,164,637	7,497,384	4,164,637	7,497,384
Current liabilities					
Loans and borrowings	15	6,096,954	5,338,787	6,096,954	5,338,787
Lease liabilities	6(b)	31,609	-	31,609	-
Current tax liabilities		-	722,153	-	722,153
Trade and other payables	16	2,180,792	2,237,187	2,175,390	2,238,187
Contract liabilties	11	397,870	104,319	397,870	104,319
Total current liabilities		8,707,225	8,402,446	8,701,823	8,403,446
TOTAL LIABILITIES		12,871,862	15,899,830	12,866,460	15,900,830
TOTAL EQUITY AND LIABILITIES		13,881,231	27,921,554	13,882,231	27,922,554

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

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LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	**31.12.2022 RM**	**31.12.2021 RM (Restated)**	**31.12.2022 RM**	**31.12.2021 RM (Restated)**
Revenue	17	11,887,495	12,252,545	11,887,495	12,252,545
Cost of sales		(7,358,614)	(7,325,309)	(7,358,614)	(7,325,309)
Gross profit		4,528,881	4,927,236	4,528,881	4,927,236
Other income		300,705	405,840	300,705	405,840
Administrative expenses		(2,892,507)	(1,404,903)	(2,886,105)	(1,404,903)
Other operating expenses		(639,213)	(656,425)	(639,213)	(656,425)
Net impairment losses of receivables		(3,408,321)	-	(3,408,321)	-
Operating (loss)/profit		(2,110,455)	3,271,748	(2,104,053)	3,271,748
Finance costs		(564,619)	(526,328)	(564,619)	(526,328)
(Loss)/Profit before tax	18	(2,675,074)	2,745,420	(2,668,672)	2,745,420
Income tax expense	19	(337,281)	(408,579)	(337,281)	(408,579)
(Loss)/Profit for the financial year		(3,012,355)	2,336,841	(3,005,953)	2,336,841
Total comprehensive (loss)/income for the financial year		(3,012,355)	2,336,841	(3,005,953)	2,336,841

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

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LEE & YONG ALUMINIUM SDN. BHD.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		|----Attributable to owners of the Company----|		
		Share capital	**Retained earnings**	**Total equity**
Group	**Note**	**RM**	**RM**	**RM**
At 1 January 2021		250,000	9,434,883	9,684,883
Total comprehensive income for the financial year				
- As previously reported		-	2,115,342	2,115,342
- Restrospective restatement	24	-	221,499	221,499
Loss for the financial year, restated		-	2,336,841	2,336,841
At 31 December 2021, restated		250,000	11,771,724	12,021,724
Total comprehensive income for the financial year		-	(3,012,355)	(3,012,355)
Transactions with owner				
Dividends paid on shares		-	(8,000,000)	(8,000,000)
At 31 December 2022		250,000	759,369	1,009,369
Company				
At 1 January 2021		250,000	9,434,883	9,684,883
Total comprehensive income for the financial year				
- As previously reported		-	2,115,342	2,115,342
- Restrospective restatement	24	-	221,499	221,499
Loss for the financial year, restated		-	2,336,841	2,336,841
At 31 December 2021, restated		250,000	11,771,724	12,021,724
Total comprehensive income for the financial year		-	(3,005,953)	(3,005,953)
Transactions with owner				
Dividends paid on shares		-	(8,000,000)	(8,000,000)
At 31 December 2022		250,000	765,771	1,015,771

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

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LEE & YONG ALUMINIUM SDN. BHD.
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	31.12.2022 RM	31.12.2021 RM (Restated)	31.12.2022 RM	31.12.2021 RM (Restated)
Cash flows from operating activities				
(Loss)/Profit before tax	(2,675,074)	2,745,420	(2,668,672)	2,745,420
Adjustments for:				
Depreciation of:				
- plant and equipment	508,286	632,014	508,286	632,014
- right-of-use asset	16,547	-	16,547	-
- investment properties	114,380	24,411	114,380	24,411
Impairment loss on:				
- trade receivables	3,025,950	-	3,025,950	-
- other receivables	239,775	-	239,775	-
- amount owing by related company	142,596	-	142,596	-
Interest expense	563,438	526,328	563,438	526,328
Interest income	(10,894)	(12,661)	(10,894)	(12,661)
Operating profits before changes in working capital	1,925,004	3,915,512	1,931,406	3,915,512
Changes in working capital:				
Inventories	923,267	(977,799)	923,267	(977,799)
Trade and other receivables	566,762	2,134,844	566,762	2,134,844
Contract assets	(696,387)	(395,765)	(696,387)	(395,765)
Trade and other payables	(56,365)	(2,182,972)	(62,767)	(2,182,972)
Contract liabilities	293,551	104,319	293,551	104,319
Cash from operations	2,955,832	2,598,139	2,955,832	2,598,139
Tax paid	(1,140,129)	(1,048,943)	(1,140,129)	(1,048,943)
Interests paid	(563,438)	(526,328)	(563,438)	(526,328)
Interests received	10,894	12,661	10,894	12,661
Net cash generated from operating activities	1,263,159	1,035,529	1,263,159	1,035,529

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LEE & YONG ALUMINIUM SDN. BHD.
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Group		Company	
	31.12.2022 RM	31.12.2021 RM (Restated)	31.12.2022 RM	31.12.2021 RM (Restated)
Balance brought down	1,263,159	1,035,529	1,263,159	1,035,529
Cash flows from investing activities:				
Net changes in pledge deposit	149,600	(72,661)	149,600	(72,661)
Purchase of				
- investment properties	(960,220)	-	(960,220)	-
- property, plant and equipment	(575,084)	(338,931)	(575,084)	(338,931)
- right-of-use assets	(64,643)	-	(64,643)	-
Net cash used in investing activities	(1,450,347)	(411,592)	(1,450,347)	(411,592)
Cash flows from financing activities:				
(Repayment)/drawdown of term loan	(3,646,259)	726,100	(3,646,259)	726,100
Drawdown/(repayment) of hire purchase liabilities	70,923	(376,822)	70,923	(376,822)
Drawdown of lease liabilities	48,785	-	48,785	-
Net changes in advance/(repayment) by:				
- related companies	86,248	(63,642)	86,248	(63,642)
- director	2,584,145	(349,417)	2,584,145	(349,417)
Net cash (used in) financing activities	(856,158)	(63,781)	(856,158)	(63,781)
Net changes in cash and cash equivalents	(1,043,346)	560,156	(1,043,346)	560,156
Cash and cash equivalents at beginning of the financial year	(3,977,994)	(4,538,150)	(3,977,994)	(4,538,150)
Cash and cash equivalents at end of the financial year	(5,021,340)	(3,977,994)	(5,021,340)	(3,977,994)
Cash and cash equivalents comprise:				
Cash and bank balances	168,965	306,446	168,965	306,446
Short term deposits	599,766	749,366	599,766	749,366
	768,731	1,055,812	768,731	1,055,812
Less: Pledged deposits	(599,766)	(749,366)	(599,766)	(749,366)
Less: Banker acceptance	(751,000)	(700,000)	(751,000)	(700,000)
Less: Bank overdrafts	(4,439,305)	(3,584,440)	(4,439,305)	(3,584,440)
	(5,021,340)	(3,977,994)	(5,021,340)	(3,977,994)

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

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LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Lee & Yong Aluminium Sdn. Bhd. ("the Company") is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office and the principal place of business of the Company is located at PT1422, Jalan Padang Tembak, Kawasan Perindustrian Pengkalan Chepa II, Mukim Kemumin, 16100, Kota Bharu, Kelantan, Malaysia.

The Company is principally engaged in aluminium works, whilst the principal activities of the subsidiary are set out in Note 8. There have been no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 May 2023.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Explanation of transition to MFRSs

The financial statements of the Group and of the Company for the financial year ended 31 December 2022 are the first set of the financial statements prepared in accordance with the MFRSs, including MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* for period up to and including the financial year ended 31 December 2022, the Group and the Company prepared their financial statements in accordance with the Malaysian Private Entities Reporting Standards ("MPERS") in Malaysia.

In preparing these financial statements, the Group's and the Company's opening MFRSs Statements of financial position were prepared as at 1 January 2020 (the date of transition to MFRSs).

The Group and the Company have consistently applied the same accounting policies in the preparation of the financial position for the financial year ended 31 December 2022, the comparative financial statements for the financial year ended 31 December 2021, and the opening MFRSs statements of financial position as at 1 January 2020, other than the comparative financial statements for the financial year ended 31 December 2021, those as discussed below. The transition to the MFRSs framework does not have any significant effect on the financial statements of the Group and of the Company except for those discussed below.

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2. BASIS OF PREPARATION (CONTINUED)

2.2 Explanation of transition to MFRSs (Continued)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 January 2020. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2020. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Explanation of transition to MFRSs (Continued)

MFRS 15 Revenue from Contracts with Customers (Continued)

Impact of the adoption of MFRS 15 (Continued)

(i) Accounting for separate performance obligations arising from sale of goods and services

The application of MFRS 15 resulted in the identification of various performance obligations which previously had been bundled as a single sale of goods. The goods or services promised in the contract with the customers are identified as separate performance obligations if the good or service is capable to be distinct and if the good or service is distinct within the context of the contract. Among the performance obligations identified separately are construction services. Revenue is allocated to the respective performance obligations based on their relative stand-alone selling prices and recognised when controls in relation to the performance obligations have been transferred.

Before the adoption of MFRS 15, the Group and the Company recognised revenue when the company transfers control of goods or services to the customer based on a direct measure of the value to the customer of the goods or services transferred (an output method). Under MFRS 15, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, which is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

The accounting policies of revenue recognition under construction contracts are disclosed in Note 3.13(a) to the financial statements.

(ii) Presentation of contract assets and contract liabilities

The Group and the Company have changed the presentation of certain amounts in the statements of financial position as contract assets and contract liabilities to reflect the terminology of MFRS 15.

The accounting policies of contract assets and contract liabilities are disclosed in Note 3.8 to the financial statements.

(iii) Other adjustments

In addition to the adjustments described above, other items of the financial statements such as deferred taxes were also adjusted as necessary.

The effects of adoption of MFRS 15 as at 1 January 2020 and 31 December 2021 are disclosure in Note 23 to the financial statements.

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2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#/ 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

 # Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below:

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period ; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

In another amendments, an entity is required to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

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2. **BASIS OF PREPARATION (CONTINUED)**

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Amendments to MFRS 101 Presentation of Financial Statements (Continued)

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

2.4 Functional and presentation currency

The individual financial statements is measured using the currency of the primary economic environment in which company operate ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company has been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries

Subsidiaries are entities (including structure entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statements of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associate are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as could be required for impairment of non-financial assets as disclosed in Note 3.10(b).

Contributions to subsidiaries are amounts which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance considered as part of the Company's investment in the subsidiaries.

3.3 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business model for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies their debt instruments:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(i) Financial assets (Continued)

Debt instruments (Continued)

- **Fair value through other comprehensive income (FVOCI)**

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss (FVPL)**

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(i) Financial assets (Continued)

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify their equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(b) 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 because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 *Financial Instruments* and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Company commit themselves purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Plant and equipment

(a) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition of measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.14 to the financial statements.

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

(b) Subsequent cost

The cost of replacing a part of an item of plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and their cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

All other plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Equipment, furniture and fittings	20%
Land and buildings	2%
Motor vehicles	20%
Plant and machinery	10%
Renovation	10%
Security system	10%
Signboard	10%
Workers accommodation	10%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Plant and equipment (Continued)

(d) Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the profit or loss.

3.5 Leases

(a) Definition of lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the statements of financial position.

<u>Right-of-use asset</u>

The right-of-use asset is initially recognised 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 the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (Continued)

(b) Lessee accounting (Continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (Continued)

(b) Lessee accounting (Continued)

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group is intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.5(b) to the financial statements, then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated amortisation or depreciation.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.14 to the financial statements.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use.

3.7 Inventories

Inventories are measured at the lower cost and net realisable value.

Costs incurred in bringing the raw materials to their present location and condition are accounted using a first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than passage of time (for example, the Group's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of pledged deposits and bank overdrafts.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost and financial assets measured at FVOCI will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counterparty is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

(a) Impairment of financial assets (Continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default of past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and the Company's procedure for recovery of amounts due.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

(b) Impairment of non-financial assets

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

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 non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of CGU is the higher of its fair value less costs of disposal and its value in use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year.

3.11 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.13 Revenue and other income

The Company recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue recognition of the Company is applied for each contract with a customer or a combination of contracts with the same customer.

The Company measures revenue from sale of goods or services at its transaction price, being the amount of consideration to which the Company expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Company uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Company expects to better predict the amount of consideration to which it is entitled.

For contracts with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Company estimates it by using the costs-plus-margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Company has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (Continued)

Financing components

The Company has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Company expects that the period between the transfer of the promised goods and services to the customer and payment by the customer will be one year or less.

(a) Construction contracts

The Company constructs commercial and industrial properties. Construction service contracts may comprise multiple deliverables that are highly integrated and therefore accounted for as a single performance obligation. Where the deliverables within the contracts are not highly integrated, they are recognised as a separate performance obligation.

Under the terms of the contracts, control is transferred over time as the Company's performance does not create an asset with an alternative use to the Company. The Company has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to-date bear to the estimated total construction costs (an input method).

Sales are made with a credit term of 30 to 90 days, therefore, no element of financing is deemed present. The Company becomes entitled to invoice customers for construction of commercial and industrial properties based on achieving a series of performance-related milestones.

The Company recognised a contract asset for any excess of revenue recognised to-date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when an invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers, then the Company recognises contract liability for the difference.

Based on the terms of the contracts with certain customers, the defect liability period is usually 24 months from the date of certificate of practical completion as provided in the contracts with customers.

(b) Rental income

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentive granted are recognised as an integral part of the total rental income, over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

3.15 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (Continued)

(b) Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(c) Sales and service tax

Revenue, expenses and assets are recognised net of the amount of sales and service tax except:

- where the sales and service tax incurred in purchase of assets or services is not recoverable from the taxation authority, in which case the sales and service tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and service tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Fair value measurements

Fair value of an asset or a liability, except for 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 Group and the Company use 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 Group and the Company recognise transfers between levels of the fair value hierarchy as of the date at the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

4.1 Construction revenue and expenses

The Group and the Company recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to-date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making this judgement, the Group and the Company evaluates based on past experience and reasonable assumptions.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 11 to the financial statements.

4.2 Impairment of financial assets and contract assets

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

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and to forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default rate in the future.

The information about the impairment losses on the Company's financial assets and contract assets is disclosed in Note 21(b)(i) to the financial statements.

5. PLANT AND EQUIPMENT

	Equipment, furniture and fittings RM	Land and buildings RM	Motor vehicles RM	Plant and machinery RM	Renovation RM	Security system RM	Signboard RM	Worker accommodation RM	Total RM
Group and Company									
2022									
Cost									
At 1 January 2022	894,741	2,184,029	3,167,775	2,746,885	576,624	66,035	9,739	50,145	9,695,973
Additions	57,005	-	234,572	264,801	9,300	-	-	9,406	575,084
Disposals	-	-	-	-	(94,930)	-	-	-	(94,930)
At 31 December 2022	951,746	2,184,029	3,402,347	3,011,686	490,994	66,035	9,739	59,551	10,176,127
Accumulated depreciation									
At 1 January 2022	678,175	49,677	2,963,460	1,799,179	320,581	35,578	9,143	14,639	5,870,432
Depreciation charge for the financial year	66,180	43,681	141,392	195,625	48,648	6,605	199	5,956	508,286
Disposals	-	-	-	-	(66,451)	-	-	-	(66,451)
At 31 December 2022	744,355	93,358	3,104,852	1,994,804	302,778	42,183	9,342	20,595	6,312,267
Carrying amount									
At 31 December 2022	207,391	2,090,671	297,495	1,016,882	188,216	23,852	397	38,956	3,863,860

5. PLANT AND EQUIPMENT (CONTINUED)

	Equipment, furniture and fittings RM	Land and buildings RM	Motor vehicles RM	Plant and machinery RM	Renovation RM	Security system RM	Signboard RM	Worker accommodation RM	Total RM
Group and Company									
2021									
Cost									
At 1 January 2021	832,327	2,121,529	3,167,775	2,493,967	449,271	51,725	9,739	26,856	9,153,189
Additions	62,414	62,500	-	252,918	127,353	14,310	-	23,289	542,784
At 31 December 2021	894,741	2,184,029	3,167,775	2,746,885	576,624	66,035	9,739	50,145	9,695,973
Accumulated depreciation									
At 1 January 2021	583,891	24,214	2,700,524	1,618,882	263,366	28,973	8,944	9,624	5,238,418
Depreciation charge for the financial year	94,284	25,463	262,936	180,297	57,215	6,605	199	5,015	632,014
At 31 December 2021	678,175	49,677	2,963,460	1,799,179	320,581	35,578	9,143	14,639	5,870,432
Carrying amount									
At 31 December 2021	216,566	2,134,352	204,315	947,706	256,043	30,457	596	35,506	3,825,541

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5. PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security

Leasehold building with a carrying amount of RM1,198,039 (31.12.2021: RM1,223,503) has been pledged as security to secure term loans of the Group and of the Company as disclosed in Note 15 to the financial statements.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right of use assets

The Group and the Company lease hostels for staff. The information about leases of the Group and the Company as lessee are presented below:

	Hostel RM
Group and Company	
2022	
Cost	
At 1 January 2022	-
Additions	64,643
At 31 December 2022	64,643
Accumulated depreciation	
At 1 January 2022	-
Depreciation charge for the financial year	16,547
At 31 December 2022	16,547
Carrying amount	
At 31 December 2022	48,096

The hostels generally have lease terms of 13 to 24 months (30.6.2021: Nil).

(b) Lease liabilities

	Group and Company	
	31.12.2022 RM	**31.12.2021 RM**
Non-current		
Lease liabilities	17,176	-
Current		
Lease liabilties	31,609	-

The lease liabilities of the Group and the Company bear interest at rates at 6.29% (30.6.2021: Nil) per annum. Interest rates are fixed at the inception of the lease arrangements.

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6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

The future minimum lease payments under lease liabilities together with the present value of net minimum lease payments are as follows:

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
Future minimum lease payments:		
Not later than one year	33,600	-
Later than one year and not later than five years	17,500	-
	51,100	-
Less: Future finance charges	(2,315)	-
Present value of minimum lease payments	48,785	-
Present value of minimum lease payments payable:		
Not later than one year	31,609	-
Later than one year and not later than five years	17,176	-
	48,785	-
Less: Amount due within twelve months	(31,609)	-
Amount due after twelve months	17,176	-

7. INVESTMENT PROPERTIES

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
Buildings		
Cost		
At 1 January	11,398,670	11,374,523
Addition	960,220	24,147
Transferred	(12,358,890)	-
At 31 December	-	11,398,670
Accumulated Depreciation		
At 1 January	71,366	46,955
Depreciation charge for the financial year	114,380	24,411
Transferred	(185,746)	-
At 31 December	-	71,366
Carrying Amount		
At 31 December	-	11,327,304

7. INVESTMENT PROPERTIES (CONTINUED)

Investment properties of the Group with an aggregate carrying amount of RM5,928,000 (31.12.2021: RM9,050,649) have been pledged as security to secure banking facilities granted to the Group and the Company as disclosed in Note 15 to the financial statements.

The following are recognised in profit or loss in respect of investment properties:

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
Rental income	239,300	215,875
Direct operating expenses	156,995	65,701

8. INVESTMENT IN A SUBSIDIARY

	Company	
	2022	**2021**
	RM	**RM**
		(Restated)
At cost		
- Unquoted shares	1,000	1,000

Details of a subsidiary are as follows:

Name of company	Principal place of business/country of incorporation	Ownership interest 31.12.2022 %	Ownership interest 31.12.2021 %	Principal activity
Lee & Yong Aluminium (Sarawak) Sdn. Bhd.	Malaysia	100	100	Dormant

9. INVENTORIES

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
Current		
Raw materials	3,076,316	3,999,583

(a) The cost of inventories of the Group and the Company recognised as an expenses in cost of sales during the financial year was RM7,358,614 (31.12.2021: RM7,325,309).

(b) The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value was RM238,241 (31.12.2021: Nil), in view of the lower market demand on old-fashioned inventories.

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10. TRADE AND OTHER RECEIVABLES

	Note	Group and Company 31.12.2022 RM	31.12.2021 RM
Current:			
Trade			
Trade receivables	(a)	4,791,553	5,212,109
Less: Impairment loss		(3,025,950)	-
Total trade receivables		1,765,603	5,212,109
Non-trade			
Other receivables	(b)	256,325	328,393
Refundable deposits		97,160	191,614
Amount owing by directors	(c)	2,916,092	1,298,616
Amount owing by a related company	(c)	142,596	228,873
		3,412,173	2,047,496
Less: Impairment loss			
- Other receivables		(239,775)	-
- Amount owing by a related company		(142,596)	-
		(382,371)	-
Total other receivables		3,029,802	2,047,496
Total trade and other receivables		4,795,405	7,259,605

(a) Trade receivables

Trade receivables are non-interest bearing and normal trade credit terms offered by the Company is 30 days (31.12.2021: 30 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

<u>Trade receivables that are impaired</u>

The Group's and the Company's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group and Company 31.12.2022 RM	31.12.2021 RM
Trade receivables		
At 1 January 2022/At 1 January 2021	-	-
Charge for the financial year	3,025,950	-
At 31 December	3,025,950	-

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Other receivables

Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of other receivables are as follows:

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
Other receivables		
At 1 January 2022/At 1 January 2021	-	-
Charge for the financial year	239,775	-
At 31 December	239,775	-

(c) Amounts owing by directors and a related company

Amounts owing by directors and a related company are unsecured, interest bearing, repayable on demand and are expected to be settled in cash.

Amount owing by a related company that are impaired

The amount owing by a related company that are impaired at the reporting date and the reconciliation of movement in the impairment are as follows:

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
Amount owing by a related company		
At 1 January 2022/At 1 January 2021	-	-
Charge for the financial year	142,596	-
At 31 December	142,596	-

11. CONTRACT ASSETS/(LIABILITIES)

	Group and Company	
	31.12.2022	**31.12.2021**
	RM	**RM**
		(Restated)
Constrution service contracts:		
- Contract assets	1,092,152	395,765
- Contract liabilities	(397,870)	(104,319)

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12. CASH AND SHORT-TERM DEPOSITS

	Group and Company	
	31.12.2022	31.12.2021
	RM	RM
Cash and bank balances	168,965	306,446
Short term deposits	599,766	749,366
	768,731	1,055,812

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

		Group and Company	
		31.12.2022	31.12.2021
	Note	RM	RM
Short term deposits		599,766	749,366
Less: Pledged deposits		(599,766)	(749,366)
		-	-
Cash and bank balances		168,965	306,446
Less: Bank overdrafts	16	(4,439,304)	(3,584,440)
		(4,870,105)	(4,027,360)

The deposits placed with licensed banks of RM160,494 in the previous financial year is not registered in the name of the Group and the Company. It is registered in the name of a director who hold in trust on behalf of the Company.

Included in the deposits placed with licensed banks of the Group and the Company, RM599,766 (31.12.2021: RM749,366) is pledged as security to secure banking facilities granted to the Group and the Company as disclosed in Note 15 to the financial statements.

13. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	Units	Units	RM	RM
Issued and fully paid (no par value):				
At 1 January/31 December	250,000	250,000	250,000	250,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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14. DEFERRED TAX LIABILITIES

	Group and Company	
	31.12.2022	31.12.2021
	RM	RM
At 1 January	70,125	923,213
Recognised in profit and loss (Note 19)	77,715	(853,088)
At 31 December	147,840	70,125
Representing the tax effect of:		
- Accelerated captial allowances	147,840	70,125

15. LOANS AND BORROWINGS

		Group and Company	
		31.12.2022	31.12.2021
	Note	RM	RM
Non-current:			
Term loans	(a)	3,692,456	7,155,228
Hire purchase liabilities	(b)	307,165	272,031
		3,999,621	7,427,259
Current:			
Term loans	(a)	513,059	696,546
Hire purchase liabilities	(b)	393,590	357,801
Bank overdrafts	(c)	4,439,305	3,584,440
Banker acceptance	(d)	751,000	700,000
		6,096,954	5,338,787
		10,096,575	12,766,046
Total loans and borrowings			
Term loans	(a)	4,205,515	7,851,774
Hire purchase liabilities	(b)	700,755	629,832
Bank overdrafts	(c)	4,439,305	3,584,440
Banker acceptance		751,000	700,000
		10,096,575	12,766,046

(a) Term loans

The Group has a total of 6 (31.12.2021: 6) term loans amounting to RM4,205,515 (31.12.2021: RM7,851,774) obtained from licensed financial institutions. The term loans bear interest rate ranges from 3.50% to 7.95% (31.12.2021: 3.27% to 6.97%) per annum and are secured as follows:

(i) Joint and several guarantee by a Company's directors;
(ii) 70% guarantee coverage by the Government of Malaysia;
(iii) Pledged of short-term deposits; and
(iv) Musharakah Mutanaqisah Master Agreement.

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15. LOANS AND BORROWINGS (CONTINUED)

(b) Hire purchase liabilities

Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follows:

	Group and Company 2022 RM	2021 RM
Minimum lease payments:		
Not later than one year	466,367	408,473
Later than one year and not later than five years	358,329	315,261
	824,696	723,734
Less: Future finance charges	(123,941)	(93,902)
Present value of minimum lease payments	700,755	629,832
Present value of minimum lease payments:		
Not later than one year	393,590	357,801
Later than one year and not later than five years	307,165	272,031
	700,755	629,832
Less: Amount due within twelve months	(393,590)	(357,801)
Amount due after twelve months	307,165	272,031

The average interest rate implicit in the leases is 2.17% to 3.97% (2021: 3.50% to 3.97%).

(c) Bank overdrafts

Bank overdrafts bear interest at 6.97% to 7.95% per annum. The bank overdrafts are secured by way of:

(i) Joint and several guarantee by the Company's directors;
(ii) Guarantee by Government of Malaysia under WCGS Guarantee Scheme;
(iii) Pledged of short-term deposits;
(iv) Master Facility Agreement; and
(v) Asset Sale Agreement for Master Facility Agreement.

(d) Banker acceptance

In the current financial year, the banker acceptance bore interest rates range from 3.64% to 5.15% per annum and was secured by corporate guarantee of the director.

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16. TRADE AND OTHER PAYABLES

	Note	Group 31.12.2022 RM	Group 31.12.2021 RM	Company 31.12.2022 RM	Company 31.12.2021 RM (Restated)
Current:					
Trade					
Trade payables	(a)	1,708,951	1,790,085	1,708,950	1,790,085
		1,708,951	1,790,085	1,708,950	1,790,085
Non-trade					
Other payables		91,092	116,054	87,191	116,054
Accruals		291,892	228,012	289,392	228,012
Deposits received		29,500	43,650	29,500	43,650
Amount owing to a related party	(b)	59,357	59,386	59,357	59,386
Amount owing to a subsidiary	(b)	-	-	1,000	1,000
		471,841	447,102	466,440	448,102
Total trade and other payables (current)		2,180,792	2,237,187	2,175,390	2,238,187

(a) The normal trade credit terms granted to the Company ranges from 30 to 120 days (31.12.2021: 30 to 120 days).

(b) Amount owing to a related party and a subsidiary are unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 21(b)(ii).

17. REVENUE

	Group and Company 31.12.2022 RM	Group and Company 31.12.2021 RM
Revenue from contract customers:		
Construction revenue	11,887,495	12,252,545
Timing of revenue recognition:		
Overtime	11,887,495	12,252,545

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18. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	31.12.2022 RM	31.12.2021 RM (Restated)	31.12.2022 RM	31.12.2021 RM (Restated)
After charging:				
Audit fee:				
- current year	57,500	9,540	55,000	9,540
Depreciation of:				
- property, plant and equipment	508,286	632,014	508,286	632,014
- right-of-use assets	16,547	-	16,547	-
- investment properties	114,380	24,411	114,380	24,411
Impairment loss on:				
- trade receivables	3,025,950	-	3,025,950	-
- other receivables	239,775	-	239,775	-
- amount owing by related company	142,596	-	142,596	
Interest expense	563,438	526,328	563,438	526,328
Directors' emoluments:				
- salaries, bonus and other related expenses	406,648	635,722	406,648	635,722
- EPF contribution	30,600	51,348	30,600	51,348
- SOCSO and EIS contribution	1,002	2,770	1,002	2,770
Staff costs				
- salaries and bonus	1,548,986	1,485,807	1,548,986	1,485,807
- EPF contribution	166,772	146,107	166,772	146,107
- SOCSO and EIS contribution	23,470	22,956	23,470	22,956
Expenses relating to short-term leases	131,981	180,662	131,981	180,662
After crediting:				
Interest income	(10,894)	(12,661)	(10,894)	(12,661)
Rental income	(239,300)	(215,875)	(239,300)	(215,875)

19. INCOME TAX EXPENSE

	Group		Company	
	31.12.2022 RM	31.12.2021 RM	31.12.2022 RM	31.12.2021 RM
Current tax:				
- current financial year	209,496	624,752	209,496	624,752
- underprovision in prior years	50,070	636,915	50,070	636,915
	259,566	1,261,667	259,566	1,261,667
Deferred tax (Note 15):				
- origination/(reversal) of temporary differences	77,715	(853,088)	77,715	(853,088)
	77,715	(853,088)	77,715	(853,088)
	337,281	408,579	337,281	408,579

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19. INCOME TAX EXPENSE (CONTINUED)

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid up capital of RM2,500,000 and below is subject to the statutory tax rate of 17% (31.12.2021: 17%) on chargeable income up to RM600,000. For chargeable income in excess of RM600,000 (31.12.2021: RM600,000), statutory tax rate of 24% (2021: 24%) is still applicable.

The reconciliation from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	31.12.2022 RM	31.12.2021 RM (Restated)	31.12.2022 RM	31.12.2021 RM (Restated)
(Loss)/Profit before tax	(2,675,074)	2,745,420	(2,668,672)	2,745,420
Tax at Malaysian statutory income tax rate of 24% (2021: 24%)	(642,018)	658,901	(640,481)	658,901
Tax effects arising from:				
- Non-deductible expenses	926,756	7,851	925,219	7,851
- Adjustments in respect of current income tax of prior year	50,070	636,915	50,070	636,915
- Tax savings	(42,000)	(42,000)	(42,000)	(42,000)
- Other item	44,473	(853,088)	44,473	(853,088)
Income tax expense	337,281	408,579	337,281	408,579

20. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related party of the Company include:

(i) Subsidiary;
(ii) Entities in which directors have substantial financial interest; and
(iii) Key management personnel of the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

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20. RELATED PARTIES (CONTINUED)

(b) Compensation of key management personnel

Kay management personnel of the Company comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

The Company has no other members of key management personnel apart from the Board of Directors. The remuneration of key management personnel is the same as disclosed in Note 18 to the financial statements.

21. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned as financial assets and financial liabilities measured at amortised cost ("AC"):

	Carrying amount RM	AC RM
At 31 December 2022		
Financial assets		
Group		
Trade and other receivables	4,795,405	4,795,405
Cash and short-term deposits	768,731	768,731
	5,564,136	5,564,136
Company		
Trade and other receivables	4,795,405	4,795,405
Cash and short-term deposits	768,731	768,731
	5,564,136	5,564,136
Financial liabilities		
Group		
Trade and other payables	2,180,792	2,180,792
Loans and borrowings	10,096,575	10,096,575
	12,277,367	12,277,367
Company		
Trade and other payables	2,175,390	2,175,390
Loans and borrowings	10,096,575	10,096,575
	12,271,965	12,271,965

Registration No. 199501012961 (342163-T)

21. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amount RM	AC RM
At 31 December 2021		
Financial assets		
Group		
Trade and other receivables	7,259,605	7,259,605
Cash and short-term deposits	1,055,812	1,055,812
	8,315,417	8,315,417
Company		
Trade and other receivables	7,259,605	7,259,605
Cash and short-term deposits	1,055,812	1,055,812
	8,315,417	8,315,417
Financial liabilities		
Group		
Trade and other payables	2,237,187	2,237,187
Loans and borrowings	12,766,046	12,766,046
	15,003,233	15,003,233
Company		
Trade and other payables	2,238,187	2,238,187
Loans and borrowings	12,766,046	12,766,046
	15,004,233	15,004,233

Registration No. 199501012961 (342163-T)

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, liquidity risk and interest rate risk. The Group's and the Company's overall financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's business while managing their objective is to optimise value for their shareholders. The Company uses derivative financial instruments to hedge certain exposures. The Company does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's and the Company's senior management.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

<u>Credit risk concentration profile</u>

The Group and the Company apply the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

Registration No. 199501012961 (342163-T)

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Credit risk concentration profile (Continued)

The information about the credit risk exposure on the Group's and the Company's trade receivables are as follows:

	Gross carrying amount RM	Impairment losses RM	Net balances RM
Group and Company			
At 31 December 2022			
Contract assets	1,092,152	-	1,092,152
Trade receivables			
Current	276,656	-	276,656
1 - 30 days past due	140,248	-	140,248
31 - 60 days past due	38,779	-	38,779
> 60 days past due	405,873	-	405,873
Credit impaired (Individually assessed)	3,929,997	(3,025,950)	904,047
	4,791,553	(3,025,950)	1,765,603
	5,883,705	(3,025,950)	2,857,755
At 31 December 2021			
Contract assets	395,765	-	395,765
Trade receivables			
Current	771,710	-	771,710
1 - 30 days past due	390,780	-	390,780
31 - 60 days past due	452,332	-	452,332
> 60 days past due	3,597,287	-	3,597,287
Credit impaired (Individually assessed)	-	-	-
	5,212,109	-	5,212,109
	5,607,874	-	5,607,874

Registration No. 199501012961 (342163-T)

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group is repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.10(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables.

The Group and the Company maintain a level of cash and cash equivalents to ensure as far as possible that it will have sufficient liquidity to meet its liabilities when they fall due.

Registration No. 199501012961 (342163-T)

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis

The analysis of Group's and Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligation are as follows:

	Carrying Amount RM	Contractual cash flow On demand or within 1 year RM	Between 1 and 5 years RM	After 5 years RM	Total RM
Group					
At 31.12.2022					
Trade and other payables	2,180,792	2,180,792	-	-	2,180,792
Loans and borrowings	10,096,575	6,096,954	2,942,538	3,200,328	12,239,820
	12,277,367	8,277,746	2,942,538	3,200,328	14,420,612
At 31.12.2021					
Trade and other payables	2,237,187	2,237,187	-	-	2,237,187
Loans and borrowings	12,766,046	5,338,787	2,048,023	3,427,968	10,814,778
	15,003,233	7,575,974	2,048,023	3,427,968	13,051,965
Company					
At 31.12.2022					
Trade and other payables	2,175,390	2,175,390	-	-	2,175,390
Loans and borrowings	10,096,575	6,096,954	2,942,538	3,200,328	12,239,820
	12,271,965	8,272,344	2,942,538	3,200,328	14,415,210
At 31.12.2021					
Trade and other payables	2,238,187	2,238,187	-	-	2,238,187
Loans and borrowings	12,766,046	5,338,787	2,048,023	3,427,968	10,814,778
	15,004,233	7,576,974	2,048,023	3,427,968	13,052,965

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from its long-terms loans and borrowings with floating interest rates.

Registration No. 199501012961 (342163-T)

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and loss for the financial year:

	Carrying amount RM	Change in basis points	Effect on loss for the financial year RM
Group			
31.12.2022			
- Term loans	4,205,515	+ 50	(15,981)
		- 50	15,981
31.12.2021			
- Term loans	7,851,774	+ 50	(29,837)
		- 50	29,837

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term term loan are reasonable approximation of fair values due to relatively short-term nature of these financial instruments.

The carrying amount of long-term borrowings approximates to their fair values as borrowings will be re-priced to market interest rate on or near reporting date.

There have been no transfers between Level 1 and Level 2 during the financial year (2021: no transfer in either direction).

22. DIVIDEND

	31.12.2022 RM	31.12.2021 RM
Recognised during the financial year:		
Dividend on ordinary shares:		
Single tier interim dividend of RM32 per ordinary share in respect of the financial year ended 31 December 2022, paid on 31 December 2022	8,000,000	-

23. COMPARATIVE FIGURES

(a) The comparative figures have been audited by another firm of chartered accountants other than Messrs Baker Tilly Monteiro Heng PLT.

(b) Effect of adoption of MFRS 15 adjustments

As disclosed in Note 2.2 to the financial statements, The Group and the Company have applied MFRS 15 retrospectively and the adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(c) The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except certain comparative figures have been restated to confirm with current year's presentation.

Effect on statement of financial position for the financial year ended 31 Decemebr 2021 are as follows:

	As previously reported RM	Adjustments RM	As restated RM
Group			
As at 31 December 2021			
Statements of financial position			
Current assets			
Contract asstes	-	395,765	395,765
Equity			
Retained earnings	11,550,225	221,499	11,771,724
Current liabilities			
Contract liabilities	-	(104,319)	(104,319)
Current tax liabilities	(652,206)	(69,947)	(722,153)
Company			
Non-current assets			
Investment in subsidiary	-	1,000	1,000
Current assets			
Contract asstes	-	395,765	395,765
Equity			
Retained earnings	11,550,225	221,499	11,771,724
Current liabilities			
Contract liabilities	-	(104,319)	(104,319)
Amount owing to subsidiary	-	(1,000)	(1,000)
Current tax liabilities	(652,206)	(69,947)	(722,153)

Registration No. 199501012961 (342163-T)

LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTOR
(Pursuant to Section 251(2) of the Companies Act 2016)

I, **YONG KUEN HWAN**, being the director of LEE & YONG ALUMINIUM SDN. BHD., do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the director.

....

YONG KUEN HWAN
Director

Kuala Lumpur

Date: 15 MAY 2023

Registration No. 199501012961 (342163-T)

LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

STATUTORY DECLARATION
(Pursuant to Section 251(1) of the Companies Act 2016)

I, **YONG KUEN HWAN**, being the director primarily responsible for the financial management of LEE & YONG ALUMINIUM SDN. BHD., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....
YONG KUEN HWAN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 15 MAY 2023

Before me,

PESURUHJAYA SUMPAH
W 761
HADINUR MOHD SYARIF
16.01.2022 - 31.12.2024
MALAYSIA

....
Commissioner for Oaths

CHAMBERS TWENTY - FIVE
NO 25, JALAN TUNKU, BUKIT TUNKU
50480 KUALA LUMPUR

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T: +603 2297 1000
F: +603 2282 9980

info@bakertilly.my
www.bakertilly.my

Registration No. 199501012961 (342163-T)

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LEE & YONG ALUMINIUM SDN. BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lee & Yong Aluminium Sdn. Bhd., which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 60.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Registration No. 201401013021 (1089105 – V)

bakertilly

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Director for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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 Group and 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 Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Registration No. 201401013021 (1089105 – V)

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Other Matters

1. As stated in Note 2.2 to the financial statements, Lee & Yong Aluminium Sdn. Bhd. adopted the Malaysian Financial Reporting Standards on 1 January 2021 with a transition date of 1 January 2020. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2021 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statement of the Group and of the Company for the financial year ended 31 December 2022 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2021 do not contain misstatement that materially affect the financial position as at 31 December 2022 and the financial performance and cash flows for the financial year then ended.

2. The financial statements of the Group and of the Company for the financial year ended 31 December 2021 were audited by another firm of chartered accountants whose report dated 8 September 2022 expressed an unmodified opinion on those financial statements.

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

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Ong Teng Yan
No. 03076/07/2023 J
Chartered Accountant

Kuala Lumpur

Date: 15 May 2023

Registration No: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Annual Report

30 June 2022

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

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Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Report of the Directors

The directors hereby present their report together with the audited financial statements of the Company for the financial year ended 30 June 2022.

DIRECTORS

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

Yong Kuen Hwan
Chin Yaw Meng
Tan Phay Lim

PRINCIPAL ACTIVITY

The principal activity of the Company is that of rental of property.

There has been no significant change in the nature of this activity during the financial year under review.

FINANCIAL RESULT

	RM
Net profit for the financial year	**11,041**

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the issued and paid-up capital of the Company; and

(b) there were no issues of debentures by the Company.

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Report of the Directors

DIRECTORS' BENEFITS

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company, by reason of a contract made by the Company or by a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for any benefits which may be deemed to have arisen by virtue of transactions between the Company and companies in which certain directors of the Company are also directors as disclosed in Note 15 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the directors who held office at the end of the financial year had interest in shares in the Company as follows :

	Number of ordinary shares			
	At 01.07.2021	Bought	Sold	**At 30.06.2022**
Yong Kuen Hwan	29,182	-	-	**29,182**
Chin Yaw Meng	1	-	-	**1**
Tan Phay Lim	1	-	-	**1**

DIVIDEND

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

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Report of the Directors

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there were no known bad debts to be written off and that no provision for doubtful debts was necessary.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or make any provision for doubtful debts.

CURRENT ASSETS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amounts stated in the financial statements misleading.

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Report of the Directors

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were, in the opinion of the directors, not substantially affected by any item, transaction or event of a material and unusual nature.

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

DIRECTORS' REMUNERATION

The directors of the Company did not receive any remuneration or non-monetary benefits during the financial year.

AUDITORS' REMUNERATION

The total amount paid to or receivable by the auditors as remuneration for their services as auditors amounted to RM636 during the financial year.

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Report of the Directors

AUDITORS

Messrs. SQ Associates have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on **1 December 2022.**

Signed on behalf of the Board of Directors:

YONG KUEN HWAN
Director

CHIN YAW MENG
Director

Kota Bharu

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Statement by Directors Pursuant to Section 251 (2) of the Companies Act 2016

We, **YONG KUEN HWAN** and **CHIN YAW MENG**, being two directors of Trans United Sdn. Bhd., do hereby state on behalf of the directors that in our opinion, the accompanying financial statements set out on pages 11 to 24 are drawn up in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company at 30 June 2022 and financial performance of the Company for the financial year ended 30 June 2022.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated **1 December 2022**.

YONG KUEN HWAN	**CHIN YAW MENG**
Director	**Director**

Kota Bharu

Statutory Declaration Pursuant to Section 251 (1) of the Companies Act 2016

I, **YONG KUEN HWAN**, I/C No. 630515-03-5605, being the director primarily responsible for the financial management of Trans United Sdn. Bhd., do solemnly and sincerely declare that, the accompanying financial statements set out on pages 11 to 24 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by **YONG KUEN HWAN, I/C** No. 630515-03-5605 at Kota Bharu in the state of Kelantan on **1 December 2022.**)

YONG KUEN HWAN
Director

Before me:-

PESURUHJAYA SUMPAH
D 071
MOHD SUHAIMI BIN ALI
01/01/2022 - 31/12/2024
MALAYSIA

Commissioner for Oaths

PT 190, Tingkat 2,
Jalan Mahmood,
15200 Kota Bharu, Kelantan

Registration No.: 199401012568 (298247-W)

SQ Associates
AF-0653

for all your professional needs

Chartered Accountants (Malaysia)

Lim Tau Li Lawrence
Seah Cheoh Wah Tony

4213-F, 2nd Floor, Jalan Kebun Sultan, 15350
Kota Bharu, Kelantan, Malaysia
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Independent Auditors' Report to the Members of Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trans United Sdn. Bhd., which comprise the statement of financial position at 30 June 2022, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 24.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company at 30 June 2022, and of its financial performance and its cash flows for the year ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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Independent Auditors' Report to the Members of Trans United Sdn. Bhd.

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(Continued)

Information Other than the Financial Statements and Auditors' Report Thereon - continued

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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.

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SQ Associates

Independent Auditors' Report to the Members of
Trans United Sdn. Bhd.
(Incorporated in Malaysia)
(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements - continued

We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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SQ Associates

Independent Auditors' Report to the Members of
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(Continued)

Other Matters

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

SQ Associates (Firm No. AF 0653)
Chartered Accountants (Malaysia)

Lim Tau Li - Partner
No. 03055/03/2023 J

Dated: 1 December 2022

Kota Bharu, Malaysia

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Statement of Financial Position at 30 June 2022

	Notes	2022 RM	2021 RM
ASSETS			
Non-Current Asset			
Property, plant and equipment	4.1, 6	**111,222**	113,755
Current Asset			
Cash and bank balances		**147,148**	117,218
Total Assets		**258,370**	230,973
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	7	**29,184**	29,184
Accumulated losses		**(17,741)**	(28,782)
Equity attributable to owners of the Company		**11,443**	402
Current Liabilities			
Other payables and accruals	8	**9,993**	7,028
Amount due to a director	9	**1,922**	1,922
Amount due to a related company	10	**234,508**	220,785
Income tax payable		**504**	836
		246,927	230,571
Total Equity and Liabilities		**258,370**	230,973

The notes on pages 15 to 24 form part of these financial statements

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Trans United Sdn. Bhd.

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Statement of Comprehensive Income

For the Year Ended 30 June 2022

	Notes	2022 RM	2021 RM
REVENUE	4.7, 11	**30,000**	30,000
LESS: OPERATING EXPENSES			
Amortisation for leasehold land	4.1, 6	**2,533**	2,533
Auditors' remuneration		**636**	636
Other operating expenses		**10,710**	10,016
		13,879	13,185
PROFIT before tax		**16,121**	16,815
Tax expense	12	**(5,080)**	(5,086)
PROFIT for the year		**11,041**	11,729

The notes on pages 15 to 24 form part of these financial statements

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Statement of Changes in Equity

For the Year Ended 30 June 2022

	Share Capital RM	Accumulated Losses RM	Total Equity RM
Balance at 1 July 2020	29,184	(40,511)	(11,327)
Profit for the year	-	11,729	11,729
Balance at 1 July 2021	29,184	(28,782)	402
Profit for the year	-	11,041	11,041
Balance at 30 June 2022	**29,184**	**(17,741)**	**11,443**

The notes on pages 15 to 24 form part of these financial statements

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Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Statement of Cash Flow

For the Year Ended 30 June 2022

	Notes	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**16,121**	16,815
Adjustment for:			
Amortisation for leasehold land		**2,533**	2,533
Operating profit before working capital changes		**18,654**	19,348
Decrease in prepayment		**-**	3,024
Increase in other payables and accruals		**2,965**	973
Cash generated from operations		**21,619**	23,345
Tax paid		**(5,412)**	(4,936)
Net cash from operating activities		**16,207**	18,409
CASH FLOWS FROM INVESTING ACTIVITY			
Net cash from investing activity		**-**	-
CASH FLOWS FROM FINANCING ACTIVITY			
Advance from a related company		**13,723**	5,524
Net cash from financing activity		**13,723**	5,524
NET INCREASE IN CASH AND CASH EQUIVALENTS		**29,930**	23,933
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		**117,218**	93,285
CASH AND CASH EQUIVALENTS CARRIED FORWARD	13	**147,148**	117,218

The notes on pages 15 to 24 form part of these financial statements

Registration No.: 199401012568 (298247-W)

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Notes to the Financial Statements - 30 June 2022

1. OPERATIONS AND PRINCIPAL ACTIVITY

1.1 Principal Activity

The principal activity of the Company is that of rental of property.

There has been no significant change in the nature of this activity during the financial year under review.

1.2 Legal Status and Country of Incorporation

Trans United Sdn. Bhd. is a private company limited by shares, incorporated and domiciled in Malaysia.

1.3 Registered Office

The registered office of the Company is situated at 4213-E, 2nd Floor, Jalan Kebun Sultan, 15350 Kota Bharu, Kelantan.

1.4 Principal Place of Business

The principal place of business is located at PT 1422, Jalan Padang Tembak, Kawasan Perindustrian Pengkalan Chepa II, Mukim Kemumin, 16100 Kota Bharu, Kelantan.

1.5 Functional and Presentation Currency

The financial statements of the Company are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and are expressed in units of Ringgit Malaysia unless otherwise stated.

1.6 Date of Authorisation of Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on **1 December 2022**.

2. COMPLIANCE WITH FINANCIAL REPORTING STANDARDS AND THE COMPANIES ACT 2016

The financial statements of the Company have been prepared in compliance with the Malaysian Private Entities Reporting Standard (MPERS) issued by the Malaysian Accounting Standards Board (MASB) and the requirements of the Companies Act 2016 in Malaysia.

Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Notes to the Financial Statements - 30 June 2022

3. BASIS OF PREPARATION

The financial statements of the Company have been prepared using cost and fair value basis.

Management has used estimates and assumptions in measuring the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Judgements and assumptions are applied in the measurement, and hence, the actual results may not coincide with the reported amounts. The areas involving significant judgements and estimation uncertainties are disclosed in Note 5.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, Plant and Equipment and Depreciation

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services, for administrative purposes or for rental to others are recognised as property, plant and equipment when the Company obtains control of the asset. The assets, including major spares, stand-by equipment and servicing equipment, are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old component is derecognised.

All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use. For a self-constructed asset, cost comprises all direct and indirect costs of construction (including provision for restoration and cost of major inspection) but excludes internal profits.

All property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

All property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life. The depreciation methods used and the useful lives of the respective classes of property, plant and equipment are as follows:

	Method	Useful life (Years)
Leasehold land	Straight-line	66

At the end of each reporting period, the residual values, useful lives and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current year.

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Trans United Sdn. Bhd.

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Notes to the Financial Statements - 30 June 2022

4. SIGNIFICANT ACCOUNTING POLICIES - continued

4.2 Impairment of Non-Financial Assets

An impairment loss arises when the carrying amount of a company's asset exceeds its recoverable amount.

At the end of each reporting date, the Company assesses whether there is any indication that a stand-alone asset or a cash generating unit may be impaired by using external and internal sources of information. If any such indication exists, the Company estimates the recoverable amount of the assets or cash generating unit.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and value in use. The Company determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a binding agreement; (ii) market price traded in an active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five-year forecast or budget.

For an asset measured on a cost-based model, any impairment loss is recognised in profit or loss.

For a cash-generating unit, any impairment loss is allocated to the assets of the unit pro rata based on the relative carrying amounts of the assets.

The Company reassesses the recoverable amount of an impaired asset or a cash generating unit if there is any indication that an impairment loss recognised previously may be reversed. Any reversal of impairment loss for an asset carried at the cost-based model is recognised in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

4.3 Share Capital and Distributions

(a) Share Capital

Ordinary shares issued are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a private placement or in a right issue to existing shareholders, they are recorded at the issue price.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at their fair value at the date of the exchange transaction.

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Trans United Sdn. Bhd.

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Notes to the Financial Statements - 30 June 2022

4. SIGNIFICANT ACCOUNTING POLICIES - continued

4.3 Share Capital and Distributions - continued

(a) Share Capital - continued

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax effect.

(b) Distributions

Distributions to holders of an equity instrument are recognised as equity transactions and debited directly in equity, net of any related income tax effect.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Board of Directors declare a dividend. For a distribution of non-cash assets to owners, the Company measures the dividend payable at the fair value of the assets to be distributed.

4.4 Financial Instruments

(a) Initial Recognition and Measurement

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets and financial liabilities are measured transaction price (including transaction costs), unless the arrangement constitutes, in effect, a financing transaction for either the Company or the counterparty to the arrangement.

An arrangement constitutes a financing transaction if payment is deferred beyond normal business terms. If the arrangement constitutes a financing transaction, the Company measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition.

(b) Subsequent Measurement of Financial Instruments

After initial recognition, debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, unless the arrangement constitutes, in effect, a financing transaction

Investments in unquoted equity instruments are measured at cost less impairment.

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Notes to the Financial Statements - 30 June 2022

4. SIGNIFICANT ACCOUNTING POLICIES - continued

4.4 Financial Instruments - continued

(c) Impairment of Financial Assets

At the end of each reporting period, the Company assess whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss.

For short-term trade and other receivables, impairment loss is tested for each individually significant receivable or group of receivables with similar credit risk characteristics wherever there is an indication of impairment. Any impairment loss is recognised in profit or loss.

For an unquoted equity investment measured at cost less impairment, the impairment is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Company expects to receive for the asset if it were sold at the reporting date.

(d) Derecognition of Financial Instruments

A financial asset, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Company acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expired. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the rcognition of a new financial liability. For this purpose, the Company considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

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Trans United Sdn. Bhd.

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Notes to the Financial Statements - 30 June 2022

4. SIGNIFICANT ACCOUNTING POLICIES - continued

4.5 Tax Assets and Tax Liabilities

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability (asset) is measured at the amount the Company expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A current tax is recognised as income or expense in profit or loss for the period. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

4.6 Provisions

The Company recognises a liability as a provision if the outflows required to settle the liability are uncertain in timing or amount.

A provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

A provision is measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the time value of money and the risk that the actual outcome might differ from the estimate made. The unwinding of the discount is recognised as an interest expense.

4.7 Revenue Recognition and Measurement

Rental income from investment property is recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives granted is recognised as an integral part of the total rental income over the term of the lease.

4.8 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at bank and in hand which are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

5. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

5.1 Judgements and Assumptions Applied

There are no significant areas of judgements and assumptions in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

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Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Notes to the Financial Statements - 30 June 2022

5. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY - continued

5.2 Estimation Uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Company are in measuring depreciation of property, plant and equipment and income taxes.

(a) Depreciation of property, plant and equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful life and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applies and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

(b) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balance in the year in which such determination is made.

6. PROPERTY, PLANT AND EQUIPMENT

	Balance at 01.07.2021	Addition	Disposal	**Balance at 30.06.2022**
Cost	**RM**	**RM**	**RM**	**RM**
Leasehold land	167,184	-	-	**167,184**

	Balance at 01.07.2021	Charge for the year	Disposal	**Balance at 30.06.2022**
Accumulated Depreciation	**RM**	**RM**	**RM**	**RM**
Leasehold land	53,429	2,533	-	**55,962**

	2022	2021
Carrying Amount	**RM**	**RM**
Leasehold land	**111,222**	113,755

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Trans United Sdn. Bhd.

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Notes to the Financial Statements - 30 June 2022

7. SHARE CAPITAL

	Number of shares 2022	Amount 2022 RM	Number of shares 2021	Amount 2021 RM
Issued and fully paid:				
Ordinary shares with no par value	**29,184**	**29,184**	29,184	29,184

8. OTHER PAYABLES AND ACCRUALS

	2022 RM	2021 RM
Other creditors	**3,806**	850
Deposits received	**3,000**	3,000
Accruals	**3,187**	3,178
	9,993	7,028

9. AMOUNT DUE TO A DIRECTOR

This represents amount advanced by a director and is unsecured, interest free and repayable on demand.

10. AMOUNT DUE TO A RELATED COMPANY

	2022 RM	2021 RM
Non-trade	**234,508**	220,785

The non-trade balance represents amount advanced by a related company and is unsecured, interest free and repayable on demand.

11. REVENUE

	2022 RM	2021 RM
Rental income	**30,000**	30,000

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Trans United Sdn. Bhd.

(Incorporated in Malaysia)

Notes to the Financial Statements - 30 June 2022

12. TAX EXPENSE

	2022 RM	2021 RM
Major component of tax expenses is:		
In respect of current year:		
- Malaysian income tax	**5,080**	5,086
Total tax expense for the year	**5,080**	5,086

The effective tax rate of the Company is higher than the statutory tax rate 24% mainly due to certain expenses not deductible for tax purpose.

13. CASH AND CASH EQUIVALENTS

	2022 RM	2021 RM
Cash at bank	**147,146**	117,216
Cash in hand	**2**	2
	147,148	117,218

14. CONTINGENT LIABILITIES

At 30 June 2022, the Company has contingent liabilities in respect of guarantees issued to certain banking facilities extended to Lee & Yong Aluminium Sdn. Bhd. (199501012961 (342163-T)). The Company monitors on an ongoing basis the results of the related party and repayment made by the related party.

The maximum exposure to credit risk amounts to RM4,900,000 representing the outstanding banking facilities of the related party as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the related party would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

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Trans United Sdn. Bhd.

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Notes to the Financial Statements - 30 June 2022

15. RELATED PARTY DISCLOSURES

15.1 Related party transactions

		2022 RM	2021 RM
(a)	Entity in which directors have interests		
	Advances from a related company	**11,490**	5,524

The balance outstanding at the end of the year is RM234,508 (2021: RM220,785) which is unsecured and bear no interest.

15.2 Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company comprises directors of the Company.

There was no compensation paid or payable to the key management personnel during the year.

16. RENTAL COMMITMENT

	2022 RM	2021 RM
Future minimum non-cancellable rental receivable		
Later than 1 year and not later than 5 years	-	-
Within 1 year	-	5,000
	-	5,000

LODGER INFORMATION:
NAME : LOW KAI CHUAN
NRIC NO. : 720914-01-5643
ADDRESS : 4213-E, 2nd Floor, Jalan Kebun Sultan, 15350 Kota Bharu, Kelantan.
PHONE NO. : 09-7449655
EMAIL : lqcosec@gmail.com

ECONFRAME BERHAD
(Registration No. 201901042935 (1352265-T))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Econframe Berhad ("**Econframe**" or the "**Company**") will be held at the Putra Room, Sultan Abdul Aziz Shah Golf & Country Club, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan on Friday, 14 July 2023 at 10:30 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, to pass with or without modifications the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY ECONFRAME FROM YONG KUEN HWAN OF 487,500 ORDINARY SHARES IN LEE & YONG ALUMINIUM SDN BHD ("LYASB") ("LYASB SALE SHARES"), REPRESENTING 65% EQUITY INTEREST IN LYASB, FOR A PURCHASE CONSIDERATION OF RM17,200,000 TO BE SATISFIED IN PART BY RM8,100,000 IN CASH AND THE REMAINING RM9,100,000 VIA THE ISSUANCE AND ALLOTMENT OF 10,459,770 NEW ORDINARY SHARES IN ECONFRAME ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.87 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION 1")

"**THAT** subject to the passing of Ordinary Resolution 2 and the approvals of all relevant authorities and/or persons being obtained, approval be and is hereby given for Econframe to acquire the LYASB Sale Shares from Yong Kuen Hwan for a purchase consideration of RM17,200,000 to be satisfied in part by RM8,100,000 in cash and the remaining RM9,100,000 via the issuance and allotment of the Consideration Shares at an issue price of RM0.87 per Consideration Share, subject to and upon such terms and conditions as set out in the conditional share sale agreement dated 17 January 2023 and the supplemental share sale agreement dated 12 May 2023 entered into between the Company and Yong Kuen Hwan ("**SSA 1**") for the Proposed Acquisition 1;

THAT, approval be and is hereby given to the Directors of the Company to issue and allot the Consideration Shares at an issue price of RM0.87 per Consideration Share credited as fully paid-up upon such terms and conditions as set out in SSA 1 for the Proposed Acquisition 1;

THAT, such Consideration Shares shall, upon issuance and allotment, rank equally in all respects with the existing ordinary shares in Econframe ("**Econframe Shares**"), except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions, which may be declared, made or paid, for which the entitlement date is prior to the date of issuance and allotment of the Consideration Shares;

THAT, pursuant to Section 85 of the Companies Act 2016, read together with Clause 16.6 of the Constitution of Econframe, approval be given to the shareholders of the Company to waive their statutory pre-emptive rights to be offered new Econframe Shares arising from the issuance of the Consideration Shares to Yong Kuen Hwan pursuant to the Proposed Acquisition 1;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Acquisition 1 with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Acquisition 1."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION BY ECONFRAME FROM YONG KUEN HWAN OF 29,184 ORDINARY SHARES IN TRANS UNITED SDN BHD ("TUSB") ("TUSB SALE SHARES"), REPRESENTING 100% EQUITY INTEREST IN TUSB, FOR A CASH PURCHASE CONSIDERATION OF RM1,000,000 ("PROPOSED ACQUISITION 2")

"**THAT**, subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities and/or persons being obtained, approval be and is hereby given for Econframe to acquire the TUSB Sale Shares from Yong Kuen Hwan for a cash purchase consideration of RM1,000,000, subject to and upon such terms and conditions as set out in the conditional share sale agreement dated 17 January 2023 entered into between the Company and Yong Kuen Hwan ("**SSA 2**") for the Proposed Acquisition 2;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Acquisition 2 with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Acquisition 2."

BY ORDER OF THE BOARD OF
ECONFRAME BERHAD

CHUA SIEW CHUAN (MAICSA 0777689) (SSM Practicing Certificate No. 201908002648)
CHEW KIT YEE (MAICSA 7067474) (SSM Practicing Certificate No. 202208000376)
Company Secretaries

Kuala Lumpur
22 June 2023

Notes:

1. *For the purpose of determining a member who shall be entitled to attend the Extraordinary General Meeting ("**EGM**"), the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 18.7(b) of the Constitution of the Company and Section 34(1) of Securities Industry (Central Depositories) Act, 1991 ("**SICDA**") to issue a General Meeting Record of Depositors as at 7 July 2023. Only a Depositor whose name appears on such Record of Depositors shall be entitled to attend the EGM or appoint proxies to attend and/or speak and/or vote on his/her behalf.*
2. *A member entitled to attend and vote at the EGM is entitled to appoint a proxy/proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak and vote at the meeting.*
3. *A member may, subject to Notes (4) and (5) below, appoint more than 1 proxy to attend and vote at the EGM, to the extent permitted by the Companies Act 2016, SICDA, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and the Rules of Bursa Malaysia Depository Sdn Bhd. Where a member appoints 2 proxies to attend and vote at the EGM, such appointment shall be invalid unless the member specifies the proportions of his/her shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an authorised nominee as defined under SICDA, it may appoint at least 1 but not more than 2 proxies in respect of each securities account it holds to which shares in the Company standing to the credit of the said account.*
5. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in 1 securities account ("**Omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, in the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of an officer or attorney duly authorised.*

7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Company's registered office at c/o Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or via electronic means at info@sshsb.com.my not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

ECONFRAME®

Registration No. 201901042935 (1352265-T)

Total number of ordinary shares held	
CDS Account No.	
Email address	
Contact number	

FORM OF PROXY

I/We...

(full name as per NRIC/Passport/Certificate of Incorporation in capital letters)

Passport/NRIC/Registration No...

of ....

(full address)

being a member of ECONFRAME BERHAD, hereby appoint ....

(full name as per NRIC/Passport in capital letters)

NRIC/Passport No...

of ....

(full address)

and/or failing *him/her, ...

(full name as per NRIC/Passport in capital letters)

NRIC/Passport No...

of ....

(full address)

or failing him/her, *the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of ECONFRAME BERHAD to be held at Putra Room, Sultan Abdul Aziz Shah Golf & Country Club, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan, on Friday, 14 July 2023 at 10:30 a.m. or at any adjournment thereof.

My/our proxy(ies) *is/are to vote as indicated below:

Ordinary Resolutions		For	Against
1.	Proposed Acquisition 1		
2.	Proposed Acquisition 2		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this …………… day of ……………................ 2023

…………………………………………………………………

Signature/Common Seal of shareholder

Contact No:…………………………………………………..

For appointment of 2 proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		**100%**

*** Delete if not applicable**

Notes:-

1. *For the purpose of determining a member who shall be entitled to attend the Extraordinary General Meeting ("**EGM**"), the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 18.7(b) of the Constitution of the Company and Section 34(1) of Securities Industry (Central Depositories) Act, 1991 ("**SICDA**") to issue a General Meeting Record of Depositors as at 7 July 2023. Only a Depositor whose name appears on such Record of Depositors shall be entitled to attend the EGM or appoint proxies to attend and/or speak and/or vote on his/her behalf.*

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4. *Where a member of the Company is an authorised nominee as defined under SICDA, it may appoint at least 1 but not more than 2 proxies in respect of each securities account it holds to which shares in the Company standing to the credit of the said account.*

5. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in 1 securities account ("**Omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, in the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of an officer or attorney duly authorised.*

7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Company's registered office at c/o Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or via electronic means at info@sshsb.com.my not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE SHARE REGISTRAR OF
ECONFRAME BERHAD
(REGISTRATION NO. 201901042935 (1352265-T))

SECURITIES SERVICES (HOLDINGS) SDN BHD
LEVEL 7, MENARA MILENIUM
JALAN DAMANLELA
PUSAT BANDAR DAMANSARA
DAMANSARA HEIGHTS
50490 KUALA LUMPUR, WILAYAH PERSEKUTUAN

1st fold here

REQUISITION FORM

The Share Registrar
Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur, Wilayah Persekutuan
Telephone No. : (+603) 2084 9000
Facsimile No. : (+603) 2094 9940 / 2095 0292

I / We wish to request a printed copy of the ***Circular to Shareholders*** dated 22 June 2023 of **ECONFRAME BERHAD** to be forwarded to me / us at the address stated below: -

Full Name	:	______________________
CDS Account No.	:	______________________
NRIC/Passport/Registration No.	:	______________________
Address	:	______________________
		______________________
		______________________
Contact No.	:	______________________
Email Address	:	______________________

Date:

____
Signature of Shareholder